

NEWS: EUROPE

Foreign ministers meet as debate heats up over French 'foot-dragging' on Maastricht criteria

Franco-German strains at EU talks

By Lionel Barber in Brussels

EU foreign ministers meet in Luxembourg today burdened by growing strains in the Franco-German alliance over economic and monetary union.

The tensions stem from the failure of the new leftwing French government to state clearly that it is ready to curb a worse than expected public deficit this year, to qualify for Emu. German officials say they suspect the Socialist-led coalition in Paris has abandoned all pretence of meeting the deficit target of 3 per cent of gross domestic product in 1997.

The German view, shared in the European Commission, is that the French are gambling on a relaxed interpretation of the Maastricht treaty based on a favourable

"trend" toward the deficit target. French inaction contrasts to the frantic efforts the Bonn government is making to resolve its own budget crisis and hit the 3 per cent deficit target.

"We understand that Jospin (the French Socialist premier) did not expect to win the election and that he has problems with his Rainbow coalition," said one German official. "But how France reacts in the next few weeks will determine the fate of Emu."

In the aftermath of last week's inconclusive EU summit in Amsterdam, where European leaders failed to agree minimal institutional reforms to prepare for enlargement, diplomats are reassessing the political landscape, especially in Germany.

Bonn's last-minute opposition to

an extension of majority voting in Amsterdam has undermined that weakened Chancellor Kohl has no room for manoeuvre in the run-up to the October 1998 elections and that he is in no position to hand out favours to the French.

Not only is Mr Kohl trailing in the polls, he is under increasing pressure from his conservative CDU coalition allies in Bavaria, where Mr Edmund Stoiber, Bavarian prime minister, repeated yesterday that the letter of the Maastricht treaty must be respected or Emu delayed.

Some of Mr Kohl's colleagues, notably Mr Wolfgang Schäuble, have begun to distance themselves from a fixation on 3 per cent, but there is no hint that the Chancellor could sell, say, a French deficit of above 3.5 per cent to a sceptical

German public. Pressure is building on the new French government to take action.

Mr Jean-Claude Trichet, governor of the Banque de France, said this week it was essential to reduce deficits to restore growth. Mr Yves Thibault de Silguy, French monetary affairs commissioner in Brussels, said there should not be a "brutal" interpretation of the criteria. But the room for manoeuvre was small. "No risks should be taken with the euro."

Other nations, notably the Dutch, Irish and Belgians, are also understood to have passed similar warnings to France, focusing on pro-European figures such as Mr Dominique Strauss-Kahn, finance minister, and Mrs Elisabeth Guigou, justice minister.

Mr Gerrit Zalm, Dutch finance

minister, asked Mr Ruairi Quinn, his Irish colleague and a member of the Labour party, to deliver a private appeal to Mr Strauss-Kahn at the most recent meeting of EU finance ministers in Luxembourg.

Mr Quinn obliged with a passionate defence of fiscal responsibility, urging Mr Strauss-Kahn not to go back down the road of "Socialism in One country" followed by the Mitterrand government in 1981-3.

Commission officials say "the elected socialist politicians in France may not count as much as the French bureaucratic elite - the *esquisses* - who are wedded to Emu on the grounds that it is the best way of containing German power."

They point to a network of former Brussels diplomats and officials surrounding Mr Jospin and Mr Strauss-Kahn.

Italian hopes over Emu rise

By Paul Botto in Milan

The prospect of Italian membership of the first wave of European monetary union was "no longer just a hope", Mr Carlo Azeglio Ciampi, Treasury minister, said yesterday.

Speaking to the annual meeting of the Italian Banking Association, he said a 3 per cent public deficit to gross domestic product ratio had become a credible target for the country to meet by the end of 1997.

Mr Mario Draghi, Treasury director-general, said the European Union's monetary committee had broadly welcomed Italy's economic convergence plan, which had been submitted in Brussels for approval.

The three-year plan, given final approval by the Italian Senate this week, includes an adjustment of L25,000bn (\$14.7bn) in the 1998 budget, involving spending cuts and new tax revenues to bring the public deficit down to 2.8 per cent of GDP.

Growing expectations that Italy would qualify for early Emu membership yesterday continued to boost Italian financial markets, with stocks and bonds pursuing last week's rally and the lira trading strongly at the DM97 level.

The Italian government has become increasingly optimistic it will meet the Maastricht criteria to take the country into the first round of Emu in 1998.

Mr Ciampi noted Italy had the strongest balance of payments current account surplus in Europe and the cost of servicing the country's debt would stabilise around 7.8 per cent of GDP compared with 12.1 per cent a few years ago.

Preliminary consumer price figures released in recent days showed an inflation rate in June of only 1.4 per cent.

Though Mr Ciampi warned a monthly rise in inflation statistics would occur in coming months, he said the government's target of 1.8 per cent inflation in 1998 was feasible.

However, Italy's Confindustria employers' confederation warned in its latest economic study that Italy would fail to meet the Maastricht targets unless it made L10,000bn structural cuts in welfare spending.

The government is now in the throes of difficult negotiations with the labour unions on reforming the country's costly welfare system.

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Yeltsin over first tax hurdle but still some way to go

By John Thornhill in Moscow

Mr Boris Yeltsin, Russia's president, was quick to hail parliament's conditional approval of a desperately-needed tax code as its first "enormous victory" for economic reform.

Simplification of the complex tax regime would help restore order to the country's shambolic public finances, Mr Yeltsin claimed, eliminating the government's "shameful" arrears to pensioners and stimulating investment in the real economy.

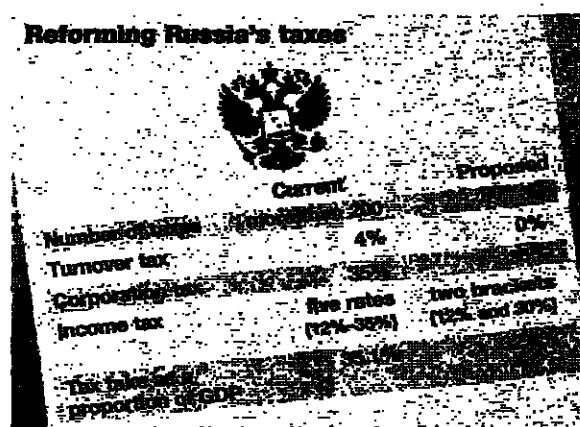
The government could now plan its 1998 budget on sensible assumptions about its future revenue base. Arbitrary taxation, that great bugbear of corporate managers and foreign investors alike, would be eliminated.

Many economists also welcomed approval of the tax code but warn it is far from the panacea it seems.

Parliament can still table amendments before the code is enacted later this year and its implementation will prove critical. Mr Yeltsin may have won an important victory, they say, but he could still lose the war.

"If parliament had not passed the code it would have been a disaster for tax reform," says one economic adviser to the government. "It was an extremely important hurdle to cross but it is not the last hurdle."

"The real battle to make it effective begins now," he



added. Architects of the new tax code argue its chief purpose is to make payment transparent, predictable, and fair. To that end, the number of taxes will be cut from more than 200 to 30 while most of the 2,000 legal documents defining Russia's tax laws

will be shredded. More of the tax burden will be shifted from corporations to individuals with the five individual income tax brackets being reduced to two.

The tax base will be broadened by plugging loopholes. The much-hated turnover tax, which was even applied to low-value companies, will be abolished.

The government believes its overall tax take will fall from 35.1 per cent to 32.4 per cent as a result of these changes, liberating additional resources for private-sector investment.

Provisions allowing companies to challenge tax rulings in the courts should further bolster the confidence of investors.

But sound as all these

principles appear in theory, they must work in practice in an environment in which government is widely distrusted and tax evasion has evolved into an art form.

At a recent meeting with foreign investors, Mr Alexander Pochinok, head of the state tax service, said the government had to establish the principle that everyone should pay their way. "Otherwise, those who pay will feel sore that the next man

does not pay," he declared.

Government officials concede it will be an enormous challenge to entrench this principle in a country where 2,023 major legal entities do not pay any taxes at all at present and where just 3 per cent of adult Russians had filed their income tax returns this year by the official deadline. It also places a huge responsibility on Russia's 35,000 poorly-paid tax inspectors, whom MPs allege are corrupt and thrive on the arbitrary nature of the present tax regime.

Mr Yevgeny Yasin, an economics minister who has been closely involved in tax policy, expressed the government's quieter fears about the new tax code in a recent interview with the Novoye Vremya journal.

Although universal economic theory suggests the tax code should succeed, Russian particularities may yet prove its effects.

Previous attempts to raise extra revenue by broadening the tax base and reducing VAT from 28 per cent to 20 per cent had only resulted in a fall in tax collection, Mr Yasin said.

"It turns out that when you reduce tax rates, those who used to pay taxes continue to pay them, while those who did not pay, continue not to pay," he added.

There was a danger, he warned, that the government could remain "suspended in mid-air" unable to collect its taxes and unable to pay its obligations.

Such attitudes suggest Mr Klaus is right to believe there are few votes to be won touting Nato membership. But officials feel it can bring economic benefits, especially to the ailing aerospace industry through alliances with western defence contractors to upgrade the air force's fighting capacity, for which a \$1bn contract is in the offing. Ministers have already agreed to underwrite the air force's purchase of 72 of the L159, costing £25bn (\$717m).

President Václav Havel, a leading proponent of Czech membership of Nato, is said to be privately dismayed at the government's stance. He regards membership as a crucial step in the country's integration into western institutions and has tried to convince Czechs of its benefits, with little apparent success.

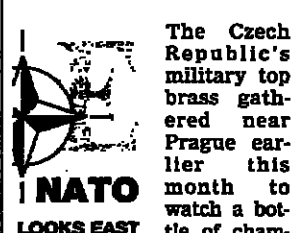
Other Czech leaders are also concerned at the lack of public support. Mr Michael Zantovský, leader of a junior government party and a former Czech ambassador to the US, complained this week that the apathy could be counter-productive, and urged a greater awareness of what is at stake.

Western diplomats say that "for purely practical purposes" there is no need to have any real debate since "the invitation will be forthcoming and it will be accepted." But some believe wider public support would smooth ratification of Nato expansion through the US congress.

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Czechs fight off military apathy



NATO LOOKS EAST

The Czech Republic's military brass gathered near Prague earlier this month to watch a bottle of champagne being smashed on the long shiny nose of a new jet aircraft, as Jesus Christ Superstar blared on speakers inside an echoing hangar.

After years of hush-hush development, the L159, a "multi-role combat aircraft", described by the defence minister, Mr Miroslav Věbořný, as "the backbone of the Czech air force for the 21st century", was ready at last for public display after years of uncertainty.

Built by Aero Vodochody, a Czech defence contractor, the L159 is in the buzzword of the day, "Nato-interoperable", meaning "it fulfils the demand for a multi-purpose, subsonic jet fully compatible with air forces of the Nato alliance," according to Mr

The Prague government has not encouraged debate about joining Nato, writes Vincent Boland. People are cynical about defence alliances and are divided about benefits of adhering to the western alliance

Věbořný. As it happened, June 12 was a very good day indeed for the Czech defence establishment. Within hours of the launch of the L159, President Bill Clinton announced that the Czech Republic would be one of three countries, along with Poland and Hungary, invited to join Nato at next month's alliance summit in Madrid.

If the Czech military is smiling, the government is taking a more pragmatic approach as it prepares to accept the invitation. Mr Václav Klaus, the prime minister, has pressed Nato membership as a *fait accompli* and has not encouraged any national debate on the costs and benefits of such an important strategic decision.

The public is divided on the issue. Opinion polls show that fewer than half of all Czechs support membership, with more than half seeing no benefit in it. This is despite claims by proponents of expansion that it fills the security vacuum in which the country has languished since the collapse of communism and fosters integration with the west.

Czechs are historically cynical of military alliances and agreements, which have failed them spectacularly in the past. At the same time, observers note that as the threat from Russia has receded in recent years Czechs have begun to feel more secure.

"If there is no Russian threat, Czechs see no security threat at all," says Mr Jiří Pehe, a political analyst. Nato entry would have been symbolically more important five years ago when the perceived threat from Russia was greater, he says.

Such attitudes suggest Mr Klaus is right to believe there are few votes to be won touting Nato membership. But officials feel it can bring economic benefits, especially to the ailing aerospace industry through alliances with western defence contractors to upgrade the air force's fighting capacity, for which a \$1bn contract is in the offing. Ministers have already agreed to underwrite the air force's purchase of 72 of the L159, costing £25bn (\$717m).

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Duma sparks fighting talk

By Chrysia Freadland in Moscow

The Russian government stepped up its attack against the leftwing parliament yesterday when a senior minister threatened that the Kremlin might dissolve the legislature after MPs return from summer recess.

Mr Oleg Syuyev, a deputy prime minister whose welfare reform measures were rejected by parliament this week, warned: "The situation will be even more difficult in the autumn, and the question of changing the Duma (lower house of parliament) may be raised by the executive branch. It may raise it in a tough manner."

The minister's prediction is the toughest statement yet in the Kremlin's battle with the Communist-dominated Duma, which this week refused to endorse its austere mini-budget.

Russia's strong presidency means the cabinet reform team is likely to be able to push through belt-tightening measures regardless of the parliament's objections.

But the Duma's intransigence could set the Kremlin up for a difficult autumn, when parliamentarians will be free to attack the government for failing to meet the more generous spending targets in the official 1997 budget.

Earlier this week Mr Anatoly Chubais, a first deputy prime minister, castigated the Duma as being "incapable of functioning."

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EUROPEAN NEWS DIGEST

French invest more abroad

French direct investment abroad almost doubled last year, but domestic investment was subdued, according to the central bank's annual report.

While France's foreign trade is healthy and consumption generally better than expected, the relatively low levels of investment do much to explain why growth was only 1.5 per cent in 1996 and only 0.2 per cent in the first quarter of this year.

French direct investment in foreign countries doubled to FF155.6bn (\$26.8bn) in 1996 from FF78.6bn a year before. The bank said five countries - the US, Germany, the Netherlands, Belgium and Italy - accounted for more than half of it. Brazil, in eighth place overall, topped the list of French investment in developing countries.

Over the same period, foreign direct investment in France edged down from FF112.1bn to FF112.3bn. But the bank said the level remained high and "confirmed the attractiveness of France".

David Owen, Paris

Peugeot chief lowers forecast

Mr Jacques Calvet, soon to retire as chairman of French carmaker Peugeot-Citroën, has again lowered his forecast of new car sales in domestic market this year. He told the group's annual meeting yesterday that he expected sales to be down 15.6 per cent from year-earlier levels at about 1.8m units.

In May, he was projecting a 13.3 per cent decline, suggesting then that France was likely to be only the fourth largest European new car market this year, behind Germany, Britain and Italy. While the French market was "crumbling", Mr Calvet said, new car sales in western Europe should rise by 2.1 per cent this year, with a particularly strong 26 per cent advance in Italy, where sales have been stimulated by a government rebate programme.

Mr Calvet said the expected decline in Peugeot-Citroën's French sales this year would be "almost entirely compensated" by higher sales elsewhere in Europe and the rest of the world.

David Owen, Paris

Geneva to lose oldest paper

Geneva is to lose its oldest independent newspaper. Journal de Genève, founded in 1826, is merging with Lausanne's *Nouvelles Quotidiennes*, Switzerland's newest and most successful daily newspaper, to form the *Nouvelles Journal*. The headquarters of the new paper, which will have a combined circulation of more than 70,000, will be in Geneva, but Mr Eric Hoessli, editor of *L'Espresso*, a weekly magazine owned by the rival Ringier group, is being brought in as editor.

Journal de Genève lost SF2.9m (\$2m) last year, and *Nouvelles Quotidiennes*, which has a slightly higher circulation, is also believed to be losing money. The combination of the two groups will create the biggest newspaper in French-speaking Switzerland. *Nouvelles Quotidiennes*, established in 1991, is 80 per cent owned by Edipresse, the biggest publishing group in French-speaking Switzerland, and 20 per cent by Ringier, the biggest publisher of Switzerland's German language press. Journal de Genève is 70 per cent owned by the Sandos family foundation.

William Hall, Geneva

Cousteau dies at 87

Jacques-Yves Cousteau, the French researcher and documentary-maker made internationally famous by the success of his films of the natural world, died yesterday aged 87.

Born in 1910 in the Gironde, he studied at naval college and was employed as a marine officer until 1956. He worked as a spy against the Italians during the war, and in the subsequent years he developed a career in oceanography, deep-sea diving and using his ship *Calypso* as his base.

Cousteau was not trained as a scientist, and his many books and films often triggered controversy with specialists. His real achievement was to popularise nature, and his film *The Silent World*, made with the director Louis Malle, won the 1956 Palme d'Or at the Cannes festival. Multiple television contracts gave him strong financial independence, but also created tensions with his family, and notably a falling-out with his son Jean-Michel, who launched various business activities in the US using his name.

An early campaigning ecologist, he criticised nuclear discharges into the sea as early as 1960, the reluctance of the controversial Superphénix nuclear fast reactor, and in 1995 the resumption of nuclear testing by France's newly-elected President Jacques Chirac. He received many honours, including membership of the Académie Française, awarded belatedly in 1988.

Andrew Jack, Paris

Germans clash over Emu

Germany's difficulties in meeting the criteria for a single European currency this year triggered a row yesterday between senior figures in the government coalition. Parties of Chancellor Helmut Kohl: Mr Edmund Stoiber, Christian Social Union premier of Bavaria, was accused of "anti-European populism" by Mr Wolfgang Gerhardt, leader of the Free Democratic party in Bonn. Mr Stoiber had insisted in a newspaper interview on strict adherence to the 3 per cent target for public sector deficits of countries joining monetary union.

Mr Stoiber described "3.0 per cent as synonymous with a stability culture", and said Germans had a relatively low ownership of property, with much of their money invested in life insurance. Abandoning monetary stability would be "the biggest breach of trust in Germany's history".

Mr Gerhardt described Mr Stoiber as "a brother in spirit" of Mr Gerhard Schröder, the Social Democrat premier of Lower Saxony and possible challenger to Mr Kohl in next year's elections. Mr Schröder is one of Germany's more Eurosceptical politicians. Mr Gerhardt argues a slight overshooting of the deficit target need not jeopardise the euro's introduction.

Ralph Atkins, Bonn

ECONOMIC WATCH

Spanish GDP up 2.9%

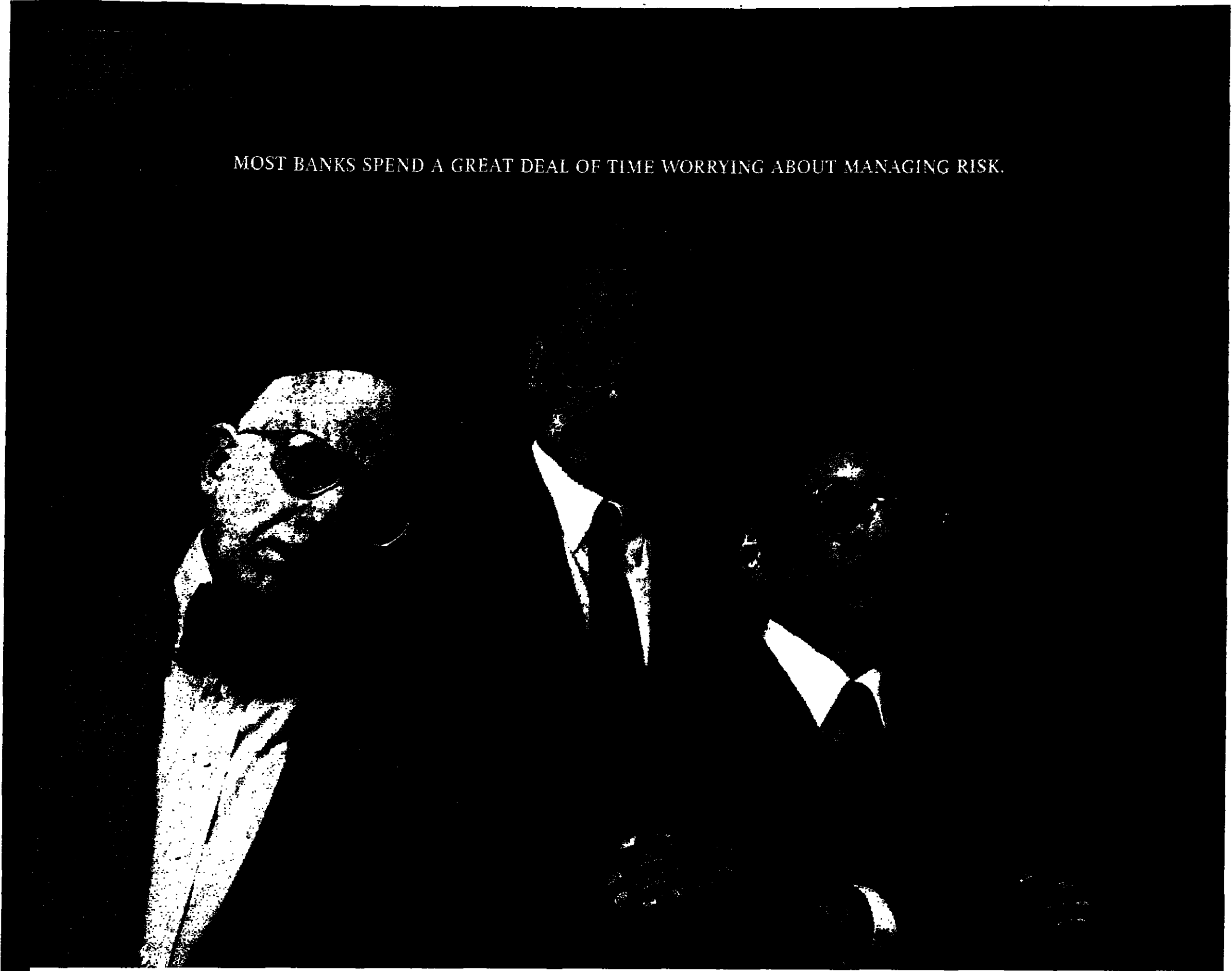
Spain's gross domestic product rose in the first quarter of the year by 2.9 per cent compared with the same period a year earlier, the national statistics institute reported yesterday. Most sectors experienced positive and accelerated growth, except for the construction sector, the institute said. Output of capital goods increased by 7.8 per cent, while construction activity fell 2.3 per cent in the period. Private consumption grew by 2.8 per cent, but public consumption declined by 1.5 per cent. Internal demand grew 1.6 per cent while exports of goods and services grew 11.2 per cent and imports of goods and services rose by 6.4 per cent from the same quarter a year earlier, the institute said.

AP, Madrid

27/06/1997

البيان

ks
French invest
more abroad
European chief lowers
Croatia to lose oldest
Spanish GDP up 20



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NEWS: ASIA-PACIFIC

Optimism picks up in Japan

By Gillian Tett in Tokyo

Japan's leading manufacturers are more optimistic than at any time since November 1991, the Bank of Japan's authoritative Tankan survey of business confidence showed yesterday.

The upbeat picture started the financial markets and fuelled hopes that the economy is expanding steadily - in spite of recent tax increases.

It also raised speculation that the survey could pave the way for a rise in interest rates. The 10-year September benchmark Japanese government bond dipped 136 basis points to close at 123.05.

December euroyen futures fell 16 basis points to 86.9 per cent. At this level, traders expect interest rates to be 1.1 per cent in December, compared to their current, historic low of 0.5 per cent.

Mr Marshall Gittler, head of economic research at SG Warburg in Tokyo, said: "This survey came as a bolt from the blue - it caused panic selling in the bond and futures markets."

However, the survey also showed that many non-manufacturing companies remain distinctly gloomy. Consequently, most economists take the view that the Bank of Japan is unlikely to raise rates until at least the autumn.

The quarterly Tankan survey is the most authoritative guide to short term economic trends in Japan and is used by the bank in making its interest rate decisions.

The June survey is particularly significant because it provides one of the first signals about how the economy has reacted to the controversial rise in consumption tax from 3 per cent to 5 per cent in April.

Economists had expected the Tankan to show manufacturers became gloomier between March and June, since it was feared that the tax increase had dampened domestic demand. Some also thought the recent rebound in the yen would dampen

exporters' optimism, since it makes their goods more expensive in world markets.

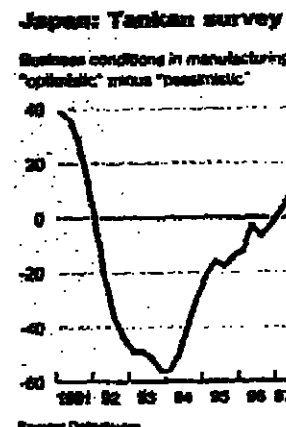
But the balance of manufacturers expressing optimism, compared with those expressing pessimism, was plus 7 in June. This is the highest figure since November 1991 and well above market forecasts of 0. Ms Jane Berryman, an economist at Technical Data, a research group in Tokyo, said: "To call this an eye-opener is an understatement."

Some economists hope this upturn indicates that the Japanese economy is heading for the type of low inflation growth seen in the US. Mr Kenneth Courtis, chief economist for Deutsche

Bank in Tokyo said: "This could be the start of Japan's own 'Goldilocks' recovery."

But the data showed that the current picture remains distinctly patchy. Smaller manufacturers were much less upbeat than their large counterparts: sentiment in that sector was minus 7 in June, compared with minus 8 in March. And non-manufacturers in fact became gloomier: sentiment among large companies fell from minus 6 to minus 7 in this period, and from minus 9 to minus 11 among small groups.

This partly reflects the problems in the financial sector. However, Japan's broader programme of



deregulation is also thought to be hurting many of the smaller and medium sized companies, as growing competition allows larger companies to win more market share.

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Mining groups oppose curbs in Indonesia

By Manuela Saragosa in Jakarta

Mining companies operating in Indonesia are set to fight demands by the Indonesian government giving the state unprecedented control over equity and profits in new mining projects. The move, they say, threatens to drive away foreign investment in the sector.

The Indonesian Mining Association, which represents both local and foreign interests, has urged the ministry of mines and energy to rethink its moves to revise a batch of contracts involving some 240 new mining projects which had already been agreed by all parties earlier this year. These contracts

"have already been initiated, money has been spent [to meet the terms]. We cannot accept changes now," said Mr Benny Wahyu, the association's secretary general.

Executives at foreign mining companies have warned that the new terms will scare off foreign investment in Indonesian mining, severely damaging an industry which accounts for about 7 per cent of gross domestic product and is driven by foreign capital and expertise.

The government's demands show "a strong nationalistic streak: the proposed terms are likely to kill off the industry," said a foreign Jakarta-based mining executive who described the revisions as "contradictory and vaguely worded".

The revised terms would allow the Indonesian authorities to demand an apparently unlimited quantity of equity in any foreign-owned mining project, require for each mining company to raise additional capital on the domestic exchange and force western mining companies to breach timely disclosure laws in their home countries by demanding that they make all their data available to the Indonesian authorities before releasing it to the public. They would also bar foreigners from working in positions below that of a director at companies which have operated in the country for more than six years.

Indonesia's mines and energy minister tabled the revised terms earlier this week but did not clarify whether they were negotiable. Initially, the ministry had indicated foreign mining operators were required to sign the revised contracts by yesterday, but it has since extended the deadline until July 29 without explanation.

Foreign mining companies had warned the authorities that companies were likely to refuse to operate under the new terms.

The government's moves come amid nationalistic calls to increase control over the mining sector following the scandal surrounding the Busang field in east Kalimantan, subject of a tawdry tussle for control between presidential children.

Taiwan tries to come to terms with HK handover



Taiwan authorities will put on public display for the first time tomorrow the original 1842 Treaty of Nanjing that forced China to surrender Hong Kong to British control, to commemorate the end of colonialism on Chinese soil.

On Saturday, tens of thousands of Taiwanese will march in a mass demonstration in Taipei called "Say No to China, Say Yes to Taiwan" to show Taiwan is already an independent country and to oppose unification with China along the lines of the "one country, two systems" model devised for Hong Kong.

On the eve of Hong Kong's reversion to Chinese sovereignty, Taiwan is watching events in the territory with feelings of ambivalence. Nationalist pride is tinged with apprehension that one master may be replaced by another perhaps less benevolent - and with stated ambitions to fold Taiwan under the wing of the motherland next.

This ambivalence is embodied in the very title of the Nanjing Treaty exhibition at Taiwan's National Palace Museum, repository of imperial Chinese treasures spirited away before the 1949 communist takeover. "Humiliation and revival from the Treaty of Nanjing to the

Japanese Surrender: a special exhibition of diplomatic documents concerning the Republic of China's struggle for freedom and equality" recalls China's mistreatment at the hands of foreign oppressors but also hints at Taiwan's hard-won democratic transformation in recent years.

Officially, Taiwan's ruling Nationalist party advocates eventual reunification with China, but only after China becomes a democratic and prosperous as Taiwan.

The views of ordinary Taiwanese toward Hong Kong's impending transition and its significance for Taiwan vary, but most evince a wariness wherever they stand on the political spectrum.

"After Hong Kong returns to Chinese sovereignty, the people in China and Hong Kong believe Taiwan will be next," said Ms Chou Hui-chen, a graduate student. "But in Taiwan, the percentage of people who want to reunify is actually quite small, especially after last year's missile tests."

Ms Chou says she favours "conditional reunification" some day. "If Taiwan people can maintain their own political system and living standards then it should be fine. But if reunification means sacrificing democracy and freedom then I am against it," she said.

Mr Richard Hsiao, who works at a bank, does not see Hong Kong as a model for Taiwan. "My family

has always strongly believed Taiwan should be independent," he said. "My parents want nothing to do with China. They even forbid me to marry a mainland." In Taiwan the term "mainlander" refers to those who fled the Chinese mainland following China's civil war which ended in 1949.

Ms Huang Chu-li, a secretary, has relatives in Hong Kong and is not especially concerned about the handover but will be keeping a close eye on developments. "I don't think there will be much impact on Taiwan, although we're not too sure about economic and trade relations. Anyway I'm going to visit Hong Kong on my holiday next month just to take a look around."

Mr Jeremy Chen, a chiropractor, said Taiwan is watching very closely to see how China treats Hong Kong. "If things go smoothly then we will be able to relax, and maybe talk to China about reunifying eventually. But if China interferes too much in Hong Kong affairs, abuses the freedom and civil rights of Hong Kong people, or doesn't allow Hong Kong to govern itself then people in Taiwan will be afraid."

Taiwan may prefer to be an independent country, but this may be impossible, Mr Chen said. "We have to be realistic - unfortunately China likes to use force and



Protesting supporters of Taiwan independence burn a Chinese flag

nobody wants a war. Look - China won't even let us join the World Health Organisation, which has nothing to do with politics, much less the United Nations. Ultimately we don't have a choice - we'll probably have to reunify someday.

Laura Tyson

Patten warning on clampdown

By Peter Montagnon and John Hidding in Hong Kong and Lionel Barber in Brussels

Mr Chris Patten, governor of Hong Kong, yesterday warned the incoming Chinese administration against coming down with a heavy hand against protesters on the night of the handover. Demonstrations are planned against the abolition of the legislature elected under his democracy reforms and his replacement with an appointed provisional body.

"It's in everybody's interest to ensure that the arrangements for the handover are able to confirm Hong Kong's reputation for moderation and responsibility," he said in an interview.

Mr Patten warned that a decision by most European Union countries to send ministers to the Chinese ceremony to swear in the provisional legislature would further encourage China to disregard international pressure on human rights.

Europe "fell apart" on the UN human rights resolution criticising China this spring, which France refused to support. "It may well go in several different directions on this too," he said. That would leave the US and UK as the only main countries whose ministers were determined to stay away from the swearing-in.

France has already signalled its intention to send

senior representatives to attend the Chinese ceremony. Even the Netherlands, traditionally an outspoken defender of human rights, is expected to attend because it holds the rotating EU presidency.

Mr Patten said he could understand countries' concern at not wanting to boycott a ceremony which would also include the swearing-in of Hong Kong's new chief executive, as well as the territory's judiciary and top administrators.

The British Foreign Office said yesterday that the UK's consul-general in Hong Kong, Mr Francis Cornish, and Mr Hugh Davies, who heads Britain's team on the joint liaison group with China, would attend.

The Foreign Office said, however, that this in no way implied approval of the provisional legislature, and there had never been any question of British ministers attending the swearing-in ceremony.

Mr Patten defended Britain's apparent change of heart in agreeing to allow a further advance guard of Chinese troops to enter Hong Kong a few hours before the midnight handover. The troops would come in in buses with their weapons stowed. "If you'd had large numbers more arriving in Hong Kong earlier in personnel carriers, that might have been rather differently perceived."

ASIA-PACIFIC NEWS DIGEST

Donors pledge \$6.7bn to India

International aid donors meeting in Paris yesterday pledged \$6.7bn to India for the current financial year, about the same as last year's \$6.6bn. The Indian government said in a statement released in New Delhi: "India's economic reforms received strong support and endorsement from the community of bilateral and multilateral donors assembled in Paris."

The annual India Development Forum meetings in Paris on Tuesday and yesterday were held under the aegis of the World Bank and attended by representatives of the Asian Development Bank, European Commission and International Monetary Fund.

The \$6.7bn pledge was in line with the expectations of Indian officials, who said the country had stepped up utilisation of external assistance in the 1996-97 fiscal year to March 31. The 15-party centre-left coalition of Mr I.K. Gujral, the prime minister, has pressed ahead with free-market reforms initiated in 1991 when India faced a balance of payments crisis.

Reuter, New Delhi

Reserve Bank reduces interest

The Reserve Bank of India, the country's central bank, yesterday cut its bank rate by one percentage point from 11 per cent to 10 per cent with immediate effect. Analysts see it as a move to boost further a sluggish economy. Market rates are expected to move in line with the RBI's bank rate, the level at which the central bank lends to commercial banks, continuing a downward trend. This was the first occasion the RBI had used this lever to signal a general cut in rates since it unveiled its credit policy in April. This week, the government said inflation was continuing its downward trend, with the wholesale price index falling to 5.33 per cent from 7.99 per cent in January.

Khazem Merchant, New Delhi

N Korea to discuss agenda

North Korean leaders have agreed to help arrange four-nation peace talks aimed at closing the books on the 1950-53 Korean War, officials in Seoul said yesterday. "Pyongyang has accepted a suggestion that senior officials from the two Koreas, the United States and China meet around early August to set an agenda and other details for the peace talks," the Seoul government said.

Any settlement would represent a breakthrough in replacing, with a peace treaty, the armistice that ended the war. Wednesday marked the 47th anniversary of the outbreak of the conflict. Representatives of North and South Korea and the US agreed in New York earlier this month that a preparatory meeting of the four-party talks, also to include China, would take place in New York or Geneva next month or in August.

Rodong Simun, the North's official daily newspaper, said Pyongyang would be ready to discuss peace "as long as the enemies do not provoke a war. The Korean People's Army is keeping an eye on the warmongers," it added.

North Korean watchers said acceptance of peace talks represented a reversal of North Korea's previous stand that any treaty to secure peace on the Korean peninsula must be signed directly by Washington and Pyongyang, excluding South Korea.

Reuter, Seoul

IMF ready for talks in Manila

By Justin Marozzi in Manila

An International Monetary Fund delegation arrived in Manila yesterday to start negotiations for a four-month extension of the Philippines' programme, amid mounting concerns over the country's fiscal position. Mr Shigemitsu Sugisaki, deputy managing director of the IMF, will also meet President Fidel Ramos and Mr Roberto de Ocampo, the finance minister, next week to thrash out the final details of what observers expect to conclude in a new arrangement with the fund.

The country narrowly failed to complete its three-year \$684m programme - which expired on Monday - after failing to pass the remaining portion of the comprehensive tax reform programme (CTRP) before Congress adjourned earlier this month. The CTRP, designed to ensure dependable revenue streams as privatisation proceeds dwindle, is the last structural reform required under the IMF programme.

Without a comprehensive tax system in place the country is now beginning to feel the pinch, as the government reduces public sector surplus forecasts for the

year. "The mere delay in passing the CTRP is already sending concerns," said Mr Joven Balboa, economist at W.I. Carr, the stockbroker. "Last year, the government was forecasting a [1997] budget surplus of 15bn pesos (\$570m), in March it scaled that back to 13bn pesos, and now it's looking at about 7.5bn pesos. This is a real ride."

Over the weekend, Mr Dante Canlas, deputy director general of the National Economic and Development Authority, said the government was looking at options to avoid hitting a budget deficit for 1997, after admitting

the surplus of 4.9bn pesos for the first five months appeared "weak" against likely revenue shortfalls.

The IMF team will examine the country's fiscal revenue, foreign investment, balance of payments position, and national income and prices.

It will also assess the government's position on repaying the country's three main oil companies - Petron, Shell and Caltex - from the oil price stabilisation fund, the buffer facility used to absorb fluctuations on the world market before the industry was liberalised in February.

CONTRACTS & TENDERS

SALE AND LEASE BACK OF TWELVE BOEING 737-200 AIRCRAFT

Indian Airlines Ltd. invite offers for sale and lease back of 12 Boeing 737-200 Aircraft powered with JT8D-17A engines. Interested parties are requested to submit their offer in the prescribed tender form to reach the following latest by 1530 Hrs. (IST) on Tuesday, the 12th August 1997:

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Indian Airlines Ltd.

Safdarjung Airport

New Delhi - 110 003 (India)

Attn: T. S. CHANDRASEKAR

Tel: 0091-11-4611293 Fax No: 0091-11-4621776

Site: DELJIC E-Mail: tsc.ia@gems.vsnl.net.in

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July 1997

NEWS: WORLD TRADE

US aircraft maker seeks to persuade European Commission to drop takeover objections

Boeing may alter exclusive supply deals

By Michael Skapinker, Aerospace Correspondent

Boeing is considering altering long-term exclusive aircraft supply agreements with three airlines as a way of persuading the European Commission to approve its planned takeover of McDonnell Douglas.

Mr Karel Van Miert, the European Union competition commissioner, has described the agreements with American, Delta and

Continental Airlines as unacceptable. Under the agreements, the airlines have appointed Boeing as their sole aircraft supplier for 20 years, in return for price concessions.

Mr Van Miert has told Boeing that he objects to the planned takeover of McDonnell Douglas, announced in December, on three grounds. The first is that the enlarged Boeing will control two-thirds of the worldwide civil aircraft market, making

it difficult for Airbus Industrie, the European consortium, to compete.

The second is that the Commission believes Boeing will use McDonnell Douglas's federal defence funding to support development of civil aircraft.

The third objection is the exclusive deals.

Although Boeing has said the deals are unrelated to the merger, and are an internal US matter, the company is believed to be ready to

offer the Commission concessions on the issue. One possibility being considered is shortening the length of the agreements.

Even if the agreements are changed, the three US airlines are unlikely to buy Airbus aircraft as they have decided to purchase Boeing aircraft only as a way of reducing maintenance and training costs.

Although Boeing initially played down the threat of action from the Commission

against the takeover, it has recently shown greater anxiety over what the EU might do.

The Commission has the right to impose a fine equivalent to 10 per cent of the enlarged Boeing's \$45bn turnover if it goes ahead with the takeover without the EU's approval.

Boeing officials have warned Mr Van Miert that he risks provoking a transatlantic trade war if he blocks the takeover.

However, at the Paris air show last week, Mr Ron Woodward, Boeing's head of commercial aircraft, said he hoped a trade war would prove unnecessary.

The Tunisian flag carrier, Tunis Air, yesterday said it planned to buy 19 aircraft between 1997 and 2005, including nine over the next three years. The fleet plan, which took three years to be set up, was to replace some of the company's ageing Boeing 727 and 737-200.

Concern grows over digital copyright delay

By Alice Rawsthorn

Concern is growing in the music industry about the lack of progress in implementing last year's agreement by the World Intellectual Property Organisation (WIPO) to extend copyright law to digital distribution systems.

Digital copyright is top of the agenda at a meeting of senior record executives organised by the International Federation of the Phonographic Industry (IFPI), which represents the world's record companies, in Lisbon this week.

The prospect of distributing sound recordings over the internet and other digital systems, such as high-speed cable television and advanced telecommunications networks, is regarded as an exciting opportunity for the industry.

However, there is widespread concern about the dearth of legal protection for intellectual property in the digital domain. Record companies welcomed the announcement last Decem-

ber that a WIPO diplomatic conference in Geneva had endorsed two treaties to provide the protection needed.

The treaties specified that the 150 countries belonging to WIPO should amend copyright law to ensure that the legal protection given to books, music and computer software should apply whenever those properties are transmitted by digital means, thereby entitling the author, publisher and performer to receive royalties.

Six months later, no government has ratified the treaties, according to the IFPI. Ms Frances Moore, IFPI's director of European affairs, said the issue should be made a "top priority" for governments as the music industry "desperately needs investment security in the information society".

At the Lisbon meeting, record executives will discuss ways of stepping up pressure on governments. The next step should come in autumn when the European Commission is to publish a draft directive on digital copyright.

Russia and China to sign \$20bn trade deal

By Tony Walker in Beijing

Russia and China are set to conclude agreements this week aimed at boosting two-way trade to \$20bn a year by 2000, from last year's \$5.8bn.

The agreements, including multi-billion-dollar deals to exploit Siberian natural gas, are due to be signed tomorrow by Mr Victor Chernomyrdin, Russia's prime minister, and Mr Li Peng, his Chinese counterpart.

Mr Boris Nemtsov, Russia's first deputy prime minister in charge of fuel and energy, arrived in China this week to hammer out the agreements covering oil and gas extraction and railway transport, along with the framework trade deal.

The official Xinhua news agency said, in talks with Mr Li, Mr Nemtsov had urged expansion of bilateral trade, saying present trade volume did not correspond with the size of the two countries.

The Russian embassy said a "framework" trade agreement would be targeted at "increasing the Sino-Russian trade volume to \$20bn in the near future".

An embassy official said the two sides were engaged in difficult last-moment negotiations on the various trade deals. "The final figures are not yet agreed, or who will pay and how much," he said. "One wants more, the other wants less." Russia and China are

believed to be wrangling over details of the agreement to exploit Siberian natural gas and oil and its transshipment to China by pipeline.

China, which is less and less able to meet demand for oil from its own resources, has embarked on a drive to secure supplies abroad. Siberian oil and gas would help overcome the deficit.

China and Russia are negotiating the supply of a Russian-built nuclear power station in southern Jiangsu

Province. Mr Chernomyrdin is also certain push the case of Russian contractors who have put up bids to supply components for the first stage of the Three Gorges hydro-power dam on the Yangtze.

A Russian consortium is bidding for a contract to supply 14 generators with a total installed capacity of 9,800MW for the Three Gorges power station. The China Yangtze Three Gorges Development Corpo-

ration is reviewing tenders for the generating units and has said it planned to select the winning bid by late June or early July.

Other groups in the running include Siemens of Germany and GE Canada; the Anglo-French group GEC Alsthom; ABB, a Japanese group; Impea of Argentina and Westinghouse of Canada. The Three Gorges hydropower and water conservancy project is scheduled for completion in 2009.

WORLD TRADE NEWS DIGEST

US loses milk hormone vote

The European Union has fought off a US attempt to allow the use of a genetically engineered growth hormone that encourages cows to give more milk.

A United Nations food standards body, Codex Alimentarius Commission, meeting in Geneva, voted to defer a decision on the contentious issue for two years to allow in-depth scientific research. The commission - a joint World Health Organisation and Food and Agricultural Organisation body - sets international food safety standards and meets every two years. Under international trade rules, higher standards must be justified scientifically or risk challenge as protectionism.

The debate pitted the 15-member EU against the US, also backed by Canada, which supported a commission proposal allowing the use of genetically engineered growth hormone to boost milk production in cows. This was also opposed by international consumer groups as unnecessary and possibly unsafe. The dispute could potentially strain transatlantic trade relations if it became more heated, diplomats said. *Reuters, Geneva Observer, Page 13*

US joins Timor car dispute

Indonesia yesterday refused a US request for a World Trade Organisation panel to rule on whether Jakarta's national car programme violates international trade rules. The US request, which follows establishment of a panel earlier this month to examine similar complaints by Spain and the European Union, is likely to be repeated at the next meeting of the WTO's dispute settlement body on July 30. Under WTO rules, Indonesia must agree the second time of asking.

All three complaints relate to generous tax breaks given only to Timor cars produced by a joint venture between a company controlled by President Suharto's youngest son and Kia Motors of South Korea. The US, EU and Japan say the programme is discriminatory and has hurt their sales in the growing Indonesian market. Jakarta's aim appears to be to delay the WTO procedure as long as possible so that its domestic car industry is well established by the time it is forced to implement any adverse WTO ruling, probably in 1999.

In another dispute, the EU refused a first request by Brazil for a panel on EU quotas for poultry meat, which Brazil says fail to comply with a 1993 bilateral agreement a compensation for reduced exports of oiled seeds to the U. *Frances Williams, Geneva*

Brussels plans patents law



The European Commission yesterday approved a green paper on simplifying the European patent system. The Commission wants to hear opinions from industry and governments on the need to replace the 1975 Community Patent Convention with full-scale Community legislation to enable businesses to file only one patent application for the whole European Union. "The present system of patents in the

union is complex and expensive, and does not provide a unitary patent for all the member states," said Mr Mario Monti (left), the commissioner who initiated the consultation paper. Most companies still file patents with separate member states as the current European application has to be filed in the language of each member country and the validity of a European patent is doubtful for lack of legal test cases and ratification in all member states.

The Chartered Institute of Patent Agents puts the cost of obtaining a typical 20-page patent in eight countries through the European Patent Office at about \$24,000. Out of this is patent office fees, a third legal fees and a third translators' fees. The European Chemical Industry Council said that filing and maintaining a patent in eight EU member states actually costed out \$120,000, or almost 10 times as much as the \$13,000 it in the US. *Sander Thomas, Brussels*

Mexico imposes syrup tariff

Mexico yesterday imposed anti-dumping tariffs on imports of US corn syrup to protect the local sugar cane industry. The tariffs, from \$63 to \$176 a tonne, were posed following complaints from sugar cane producers, who argued they could not compete with imports of high fructose corn syrup made from subsidised US corn.

In 1996, Mexico imported 360,000 tonnes of corn syrup despite the existence of a 300,000 tonne stockpile of locally produced sugar. Producers claimed subsidised US imports threatened 200,000 farm jobs at risk. *Lester Crawford, Mexico City*



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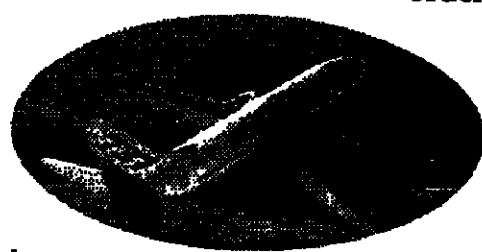
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Blair firm on deadline for N Ireland

By Robert Peston,
Political Editor

Mr Tony Blair, the prime minister, yesterday pledged that new arrangements for governing Northern Ireland would be agreed by the middle of next year even if Sinn Féin remained outside negotiations due to begin in September.

The settlement train is leaving, with or without Sinn Féin. Mr Blair insisted in the House of Commons, spelling out the timetable and conditions for participation by Sinn Féin in formal all-party talks. Sinn Féin is the political wing of the Irish Republican Army.

Sinn Féin no longer had any justification for its fears that the government would continually erect barriers to its involvement. Mr Blair said. He had "dealt straight with them [Sinn Féin]" and he expected "straight dealing in return".

His attempt to pile pressure on the IRA to declare a renewed ceasefire was aided when Mr John Hume, the leader of the moderate nationalist Social Democratic and Labour party in Northern Ireland, made clear that he now supported the idea that a settlement could be reached without involving Sinn Féin.

If a Northern Ireland agreement were reached in conditions of peace "all the better", Mr Hume said, but "if it is not, let the rest of us get together and work quickly and strongly with both governments [British and Irish] to reach that agreement".

There was also clear relief in the British government when Mr David Trimble, leader of the Ulster Unionist party, gave a cautious welcome to the initiative, while making clear his deep doubt that any new IRA declaration of a ceasefire would be genuine.

"We agree that any invitation to Sinn Féin/IRA to enter the talks must be based on clear evidence of an unequivocal ceasefire," Mr Trimble said. His party is the biggest pro-British party in Northern Ireland.

Meanwhile Mr William Hague, the new leader of the opposition Conservative party in Britain, confirmed that he intends to stick to the policy of his predecessor, Mr John Major, that Northern Ireland should be a non-partisan issue.

Mr Major had a meeting with Mr Blair last week to discuss moves towards a settlement. The government

United Technology Automotive, a US-owned car components company, is to close its factory in Londonderry, the second largest city in Northern Ireland, with the loss of 600 jobs, Jimmy Burns writes.

The company said one of the main reasons was the "ever-increasing pressure on prices" which had brought heavy losses in recent years. Between January and August this year, the company was forecasting a loss of \$3m following a trend over the last three years.

Local politicians and trade union officials condemned the decision and said they would lobby members of the House of Commons and European parliament to try to minimise effects on the local population.

Mr Adam Ingram, minister for the Northern Ireland economy in the British government, said he would try to convince UTA to reverse its decision. He added that there was no evidence to support local trade union claims that work was being transferred to the company's plants in Spain and Portugal.

UTA's move is a setback for what, in recent months, had been continuing business confidence in Northern Ireland.

views the former prime minister as an important potential ally in efforts to prevent unionist sympathisers in the Conservative party attempting to derail the peace process.

There was no response yesterday from Sinn Féin to the new government initiative. Although there are no formal talks taking place between the government and Sinn Féin, contacts were said to be continuing through intermediaries.

Police in Belfast, the capital of Northern Ireland, yesterday seized two fully-loaded high-powered rifles in a house on the outskirts of the city. One man was arrested in a follow-up security operation.

The AK-47 rifles were seized during a security operation following the taking over of a house by armed men. The police said a "major terrorist attack" had been foiled. Assistant Chief Constable Bill Stewart said: "It is clear this was a determined attempt by terrorists to kill or maim. It is clear lives have been saved today."

Earnings draft is move towards harmonisation

By Jim Kelly,
Accountancy Correspondent

International harmonisation of accounts took a significant step forward when the Accounting Standards Board yesterday published draft plans to bring the UK into line with the rest of the world in the calculation of earnings per share (eps).

The minor technical changes - which are unlikely to affect greatly the way UK companies calculate the indicator - reflect the fact that standard-setters in the US and at the International Accounting Standards Committee have moved towards the UK method over recent years.

While the new standard encourages companies to look at other performance measures besides earnings per share - rather than relying on just one - the achievement of global harmonisation would reflect the continued importance of the eps measure to shareholders and analysts.

Mr Allan Cook, technical director of the ASB, said that if the draft was adopted as a standard it represented a "small but useful step" towards harmonisation. A binding standard could be in place by the end of 1998.

The US and IASC standards on eps are based on the work of a joint project between the standard-setters - an increasingly common way in which the leading regulators are securing global harmonisation by pooling resources.

Eps is the profit in pence attributable to each ordinary share in a company based on the consolidated profit for the period after tax and other deductions. The technical changes proposed affect the calculation of the number of shares, not the profit figure.

"The US and IASC have moved towards the UK on this over time. The UK is now moving a small distance to meet them," said Mr Ron Paterson, technical partner at Ernst & Young in the UK.

"The eps is a very important figure - and I think the ASB underestimates that importance. They are quick to scoff but as a rule of thumb it is useful to illustrate trends," he said. The ASB has warned that users of accounts can rely too much on so-called "magic numbers" such as eps.

The draft standard concentrates on how to calculate the number of shares used in the computation of basic earnings per share and diluted earnings per share. In the case of the basic number, it sets out how the number of shares should be adjusted to reflect changes in the number of ordinary shares, such as a bonus issue.

In the case of the diluted figure, it sets out the sequence in which dilutive shares - such as preference shares - should be considered in arriving at the weighted average number of shares used in the calculation.



Margaret Gibney, the girl from Northern Ireland whose letter to Tony Blair about her hopes for peace was revealed on TV when the prime minister visited the US, arrived in London yesterday. She spent more than an hour in the premier's official residence at 10 Downing Street

Arms team faces maze

IRA has hidden missiles and Kalashnikov rifles

The latest joint Anglo-Irish proposal on "decommissioning" the weapons of paramilitary groups in Northern Ireland draws heavily on the report on the arms issue produced last year by a three-man international body led by Mr George Mitchell, the former US Senate majority leader. It is specific on the structures that need to be put in place to initiate decommissioning but holds back on the detail of implementation.

If there are any lessons to be drawn from other recent conflict areas, ranging from South Africa to Guatemala, it is that arms are not handed over until, and only if, there is a political settlement.

"Both governments share the view... that voluntary and mutual decommissioning can be achieved only in the context of progress in comprehensive and inclusive political negotiations," the Anglo-Irish proposal states. At the heart of a complex mechanism for negotiations will be an independent commission of legal and military experts, which

appropriate shall be given access to the technical expertise of the British and Irish security forces.

It is the commission that will decide on what form the arms handover should take as well as being responsible for its monitoring. But during its deliberations, it will regularly report to a committee of the leaders of all the parties in the talks which in turn will have two sub-committees reporting to it: one will advise on the decommissioning process, the second will be charged with related confidence-building measures such as transfer of prisoners.

"Those parties with some record of insight relating to the paramilitary organisations, who alone have the capacity to decommission, have an obvious importance in relation to the agenda," the proposal states, in an implicit reference to the role that might be played by Sinn Féin, political wing of the Irish Republican Army.

Within Northern Ireland, the IRA is the organisation that remains the biggest potential impediment to the peace process and will therefore be the focus of the decommissioning.

As an organisation, it holds a secret armoury which, in volume and potential, far outweigh anything held by any rival paramilitary organisation. The IRA's arsenal includes large quantities of Semtex and other explosives, Kalashnikov AK-47 rifles, grenades, state-of-the-art high velocity "sniper" rifles, handguns, machine-guns, and hand-held missile systems, all with ammunition.

The security forces have no foolproof estimate of the extent of this weaponry hidden in secret caches on the UK mainland and on both sides of the Irish border.

Security sources concede that the success of any arms handover will depend on the IRA's willingness to provide information on the remaining secret caches.

The IRA's weapons distribution system has been devised to ensure maximum internal security and secrecy. Once purchased, the weapons are held in underground bunkers, then moved to intermediate "hides" before being hidden at a final destination.

The system is supposed to be tightly controlled by the IRA's quartermasters but with no single "volunteer" holding the weapons, or even knowing their precise whereabouts.

Mr David Slater, the agency's environmental protection director, said a quantitative assessment of risks carried out by the agency had used the most conservative assumptions. It concluded that the risk was insignificant for all the disposal options the agency examined. These included burning the remains, which are currently being stored, in power stations or in specially built incinerators, or disposing them in landfill.

Its report is a step towards disposal of 220,000 tonnes of meat and bone meal and 122,000 tonnes of tallow from 1.5m cattle slaughtered in the scheme to remove animals over 30 months old from the human food chain, after last year's BSE crisis.

Jimmy Burns

A progress report to global financial institutions

It's just a beginning.



Kenneth L. Burenga
President of Dow Jones
burenga@cor.dowjones.com

Four months ago, I told you that the people of Dow Jones Markets were starting to plan the future of financial services with a "clean sheet of paper and no limits."

Well, progress is more than promising. So I'd like to give you an update to show just what we've put on that "sheet of paper." Our new cross-functional development teams have moved incredibly fast in a few short months, rolling up their sleeves to start turning vision into reality. We're right on schedule.

We began by meeting with many of you in brainstorming sessions to explore how your markets are changing... and how those changes will affect your operations into the next century. We're developing a deeper understanding of how you manage capital, manage risk and manage information. How you deal with technology, regulation and competition. And the threat of disintermediation.

Not just today... but in that rapidly approaching future where Europe has made decisions on monetary union, Hong Kong has adapted to Chinese rule, and Glass-Steagall is history. Where the Internet is faster and more secure. Where intelligent software agents find the data... and visualization programs give it meaning.

This focus on understanding your business is feeding our major new development programs. The screens on this page begin to suggest some of the early capabilities we've developed. Major customers will be working with us in coming weeks to refine these capabilities into comprehensive solutions.

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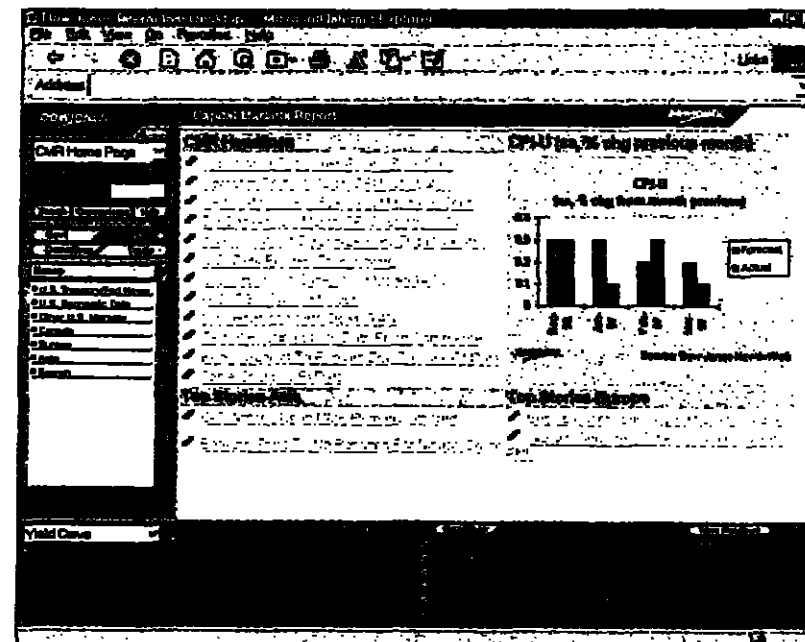
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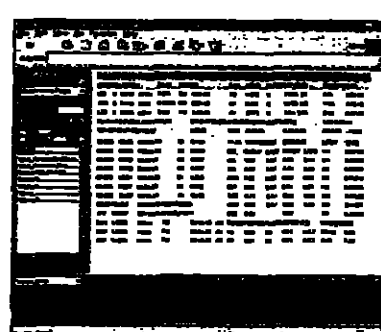
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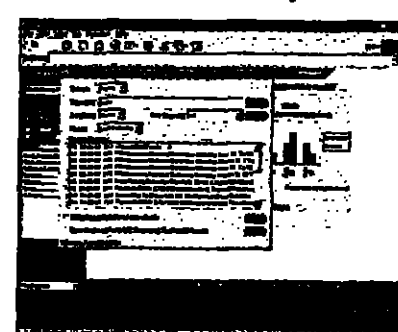
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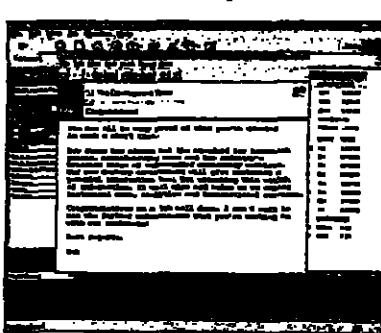
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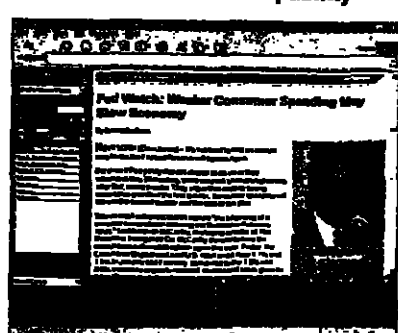
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More to come.

Kenneth Burenga

DOW JONES

NEWS: UK

Top executives hear case for government's \$5bn 'welfare to work' scheme

Chancellor woos business chiefs

By Robert Taylor,
Employment Editor

The business community will be vital to the success of the government's flagship "welfare to work" programme for the long-term unemployed, Mr Gordon Brown, the chancellor of the exchequer, told a summit meeting of 38 chairmen and chief executives yesterday.

The £5bn (\$4.95bn) five-year scheme, to be launched nationwide next April, will be funded by the windfall tax on the profits of privatised utilities. It is seen by Mr Brown as the centrepiece

of the government's employment strategy.

Among those attending the meeting were Mr Peter Birch, Abbey National chief executive; Sir Ian Frosser, chairman and chief executive of the Bass brewing group; Mr Brian Moffat, British Steel chairman and chief executive; Mr Ian McAllister, chairman of the UK offshoot of Ford; Sir Richard Greenbury, Marks and Spencer chairman; Dr Walter Haselkous, Rover group chief executive; Mr George Bull, chairman of Grand Metropolitan; and Mr David Sainsbury, J Sainsbury chairman.

None of the employers, brought together by Mr Geoffrey Robinson, the paymaster general, criticised the proposed scheme, although some welcomed the six-month consultation period before demonstration projects start in January 1998 in 15 areas.

Members of the task group, headed by Sir Peter Davis, Prudential group chief executive, will be announced shortly and financial details of the plan will come in Mr Brown's Budget next Wednesday.

Mr McAllister said Ford would take on an extra 100

young people as part of its employment expansion. Sir Richard Greenbury said he wanted to talk separately with Mr Brown on what Marks and Spencer could do.

The government's "new deal" plan for employers will pay them a subsidy of £80 a week for six months for each unemployed young person they hire for quality training and work experience. Ministers hope a substantial number of the 250,000 people aged less than 25 who have been out of work for more than six months will be placed with private sector companies.

But if they choose not to go on the scheme, the unemployed can choose to work in the voluntary sector or on an environmental task force or do further education and training. Mr Brown said there would be "no fifth option of staying at home".

"Past schemes failed because they did not properly engage the business community," said the chancellor.

Mr David Blunkett, the education and employment secretary, added: "This is not a government programme. It is a partnership with business."

Beer deal likely to face strict conditions

By Ross Tieman and
David Wighton in London

Brewing industry executives believe Mrs Margaret Beckett, the chief industry minister, is set to impose severe conditions on the planned merger between Bass Breweries and Carlsberg-Tetley.

Their view is shared by Labour politicians and City of London analysts who say Mrs Beckett's failure to publish a report by the Monopolies and Mergers Commission into the deal arises from strong government objections to further concentration in the industry.

The merger, agreed 10 months ago, would create Britain's biggest brewing group.

"I think if the deal was going to be blocked it would have happened by now," said one executive. "I think basically she is thinking about what sort of conditions she should apply."

Taking control of Carlsberg-Tetley would give Bass around 35 per cent of the UK beer market. Scottish & Newcastle, the current leader, has 29 per cent.

Both Bass and Carlsberg, its Danish partner in Carlsberg-Tetley, say the merger is urgently needed to restore the profitability of their brewing operations after government-inspired industry reforms triggered the emergence of independent pub chains able to extract big discounts from brewers.

Under a complex deal, Bass bought a 50 per cent interest in Carlsberg-Tetley from Allied Domecq last August for £200m (\$300m). At the same time, Carlsberg agreed to inject its 50 per cent interest, plus £20m, into Bass Breweries, in exchange for 20 per cent of the combined business.

If the deal is blocked, or any terms imposed are unsatisfactory to Bass, the brewer has the option of selling its stake in Carlsberg-Tetley to Carlsberg for £110m, and of claiming a £20m refund from Allied.

UK NEWS DIGEST

Import volume rises sharply

The UK trade deficit with the rest of the world deteriorated sharply during April as import volumes soared by the highest monthly rate for 16 years. The data may increase pressure on the monetary committee of the newly independent Bank of England, the UK central bank, to raise base rates, currently at 6.5 per cent.

According to figures from the Office for National Statistics (ONS), the total deficit increased from £671m (\$1.1bn) in March to £961m in April. The ONS warned yesterday that the data could be a statistical freak, but UK economists reacted with concern because the trade figures corroborated a series of other recent evidence that consumer spending may be getting out of control. The news of the deficit triggered a fall in sterling, but the pound later recovered some of its losses, before closing at 2.8673, down by 0.4 pence.

Wolfgang Munchau, London

CANTRADE HEARING

Trader committed for trial

The currency trader said to be at the heart of a multi-million pound fraud has been committed for trial at the Royal Court in Jersey, largest of the Channel Islands between England and France. Mr Robert Young, who is alleged to have concealed losses totalling \$36.7m, says he will deny the 26 fraud charges he faces when the case comes to court. All his deals were placed through UBS subsidiary Cantrade Private Bank, which itself faces 33 fraud charges in the court.

Commitment proceedings continue against former Touche Ross partner Mr Alfred Williams (46), and suspended Cantrade manager Mr Peter Stoneman (53). Both face charges relating to the alleged misleading of investors and the falsifying of trading figures.

Philip James, Jersey

GOLD SCHEME PETITION

Vanilla winding-up case put back

The High Court in London yesterday adjourned the case for the winding-up of four companies involved in the operation of Vanilla, a gold accumulation plan which the UK government's Department of Trade and Industry has asked to have wound up in the public interest. The case was adjourned for the DTI and Vanilla, which opposes the petition, to file affidavits. The DTI wishes to wind up the British operation of three companies - Netherlands-based Vanilla Services BV and Vanilla BV and Gibraltar-based Vanilla Accumulation. The department also wishes to have wound up one British-registered company, Vanilla Ltd.

Robert Wright, London

PUBLIC TRANSPORT

Government to boost bus travel

Motorists could face road tolls, higher car parking charges and heavy fines for parking in bus lanes, under government proposals to encourage bus travel. Mr Gavin Strang, transport minister, plans to use a "carrot and stick" approach to encourage motorists to leave their cars at home and use buses. The government is expected to introduce legislation in this session to re-regulate the bus industry, and to give local authorities new powers to encourage bus travel.

George Parker, London

Lex, Page 24

British Airways cabin crew vote strongly for strike

By Michael Skapinker
and Robert Taylor

British Airways faces the prospect of severe disruption to summer flights after its largest cabin crew trade union voted overwhelmingly to hold a strike over pay.

The Transport and General Workers' Union, which represents 9,000 of BA's 12,000 cabin staff, said that 75 per cent had voted and that 73 per cent of those had voted for a strike.

Mr Robert Ayling, BA's chief executive, said he did not believe his staff wanted to strike and said the company was being "held back by 1970s trade unionism". BA shares fell 13 pence to 687½ pence in London.

Mr Ayling said cabin crew yesterday received letters warning them that they would lose their staff travel discounts for three years and be denied promotion if they took action. He said BA had staff ready to take the place of strikers.

The union is confident that it will also win overwhelming support from its 9,000 members among BA's ground staff including baggage handlers, clerical and check-in employees. They are being balloted separately on strike action. The ballot is

in protest at the company's decision to sell its catering services at London's Heathrow airport. The result is expected on Monday.

The union will have to decide then whether to co-ordinate industrial action between the cabin crew and the ground staff.

That could have a damaging effect on BA's ability to defy any strike call by bringing in new recruits and managers to do the jobs of existing employees.

The union indicated yesterday that it still hoped to negotiate on behalf of cabin crew. The union says the dispute is not about the content of BA's proposed offer to the cabin crew, but about the way in which it has been imposed.

The deal involves restructuring cabin crew members' pay so that they receive more as basic and less as variable pay. BA says the effect would be to increase employees' pensionable pay by between 14.2 per cent and 24 per cent.

Mr Ayling said he would talk to the union again if it "put conflict behind it". He said a rival union, Cabin Crew 89, representing 3,000 staff, had voted overwhelmingly to accept the deal and that the TGWU had walked out of negotiations without explanation.



Waiting to talk: Robert Ayling wants the union to put conflict behind it

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THE POWER TO PROVIDE

ARTS

Dear Batman, I am writing because I have come into a large inheritance from a malden aunt, bequeathed with the condition that half the sum must be given away to a "neglected charitable cause."

I have decided, after taking soundings from friends and fellow film critics, that no cause in the modern world is more deserving than the immediate and comfortable early retirement of yourself and Robin.

I am therefore offering to use the sum partly to pay off the mortgage on Wayne Manor, partly to buy out the licensees to your screen legend, Warner Brothers. In your new film Robin, who is called "Dick" for reasons I find confusing, and the newly recruited Batgirl (Alicia "Clueless" Silverstone) battle with an over-acting Uma Thurman, as Poison Ivy, and an under-visible Arnold Schwarzenegger.

In the role of Mr Freeze, the erstwhile hero of *Conan The Barbarian* and *Commando* must wear a silver-painted face and a costume somewhere between RoboCop and Father Christmas. When not moving about, or trying to, in an ensemble of blinding metal, twinkling lights and chrome-alloy pike hood, he must go "Ho ho ho" in Stakhanovite enthusiasm at his own dialogue, which plays puns on all things gelid: "Tchill out!", "Cool!" etc. Then he must zap everything in sight, at which points you try to zap him back in return.

The film is two hours of witless noise, senseless action and merciless over-production. Where previous director Tim Burton lent Gotham City a wry noir styliness, Joel Schumacher operates on the principle that drove the original Goths and Vixen: brainless, omnivorous persistence. If something is standing, destroy it. If something does not work, replace it instantly with something else (which does not work). Never "build" - a scene, a mood or a storyline. And accompany everything with large gestures, flurid stunts and bloodcurdling din.

The 10-year-olds sitting in my row seemed as fidgety as some of the adults. This is just as well since my small neighbour's sudden stirrings woke me up on the two occasions I fell asleep. One was when you and Robin were chasing the villains all over the screen to loud music. The other was when you and Robin were chasing the villains yet again to more loud music.

Sometimes, during the two hours' traffic chaos, you stopped and spoke dialogue. There was an almost audible sigh in the theatre of "Thank God." Your impersonation of George Clooney, the charismatic actor from *ER*, is neat and engaging. Also, these quieter scenes allowed the lovable Alfred (Michael Gough) to cough respectfully in the background, although the new film posits the alarming possibility that the cough may be a health



Uma Thurman as Poison Ivy in 'Batman and Robin': two hours of merciless over-production.

Cinema/Nigel Andrews

Put the freeze on Batman

concern. (Subplot: Can ex-chemist Mr Freeze be forced to yield a cure?)

Broadly, though, we look with dread on the prospect of another film in this increasingly raucous and graceless series: a prospect which can only be prevented if you take up my generous, limited-period retirement offer.

Thank you for your attention, Best wishes, Nigel Andrews

low Jones is a hot-free zone and in that context sheer bliss. The plot about two upscale young black Chicagoans (Nia Long, Larenz Tate) loving, leaving each other and then re-uniting, is repeated three times, which is one too many. But writer-director Theodore Mitterrand has an eye and ear for the higher absurdities of chit-chat among the artistic set: he is a struggling writer, she is a struggling photographer. And the film dwells tenderly on the accident-prone mechanics of human mating rituals, from phone calls that go wrong to rival romances that go problematically right. Droll, thoughtful, endearing.

Any film that asks you to come in on Monday morning to con-

BATMAN AND ROBIN
Joel Schumacher

LOVE JONES
Theodore Mitterrand

FRANTZ FANON: BLACK SKIN, WHITE MASK
Isaac Julien

THE BATTLE OF ALGIERS
Gillo Pontecorvo

MADAME BUTTERFLY
Frederic Mitterrand

Martinique-born, France-educated psychologist-philosopher who, you may recall, wrote books on racism, espoused the FLN in Algeria and was exiled to die of leukemia in 1961.

The film, alas, is like a lantern slide lecture overrun by everyone on campus. A bevy of "cultural critics", from distinguished Frenchwomen to media mouth-mouth Stuart Hall, talk earnestly of "ethnocentric gazes" and "crushing objecthood". Meanwhile exaltatives rally to the memory of the real Fanon, while a fictional version (Colin Salmon) revolves his head elegantly for the camera as its lens probes the stiff, twilight world of video *tabulae vivants*.

The British Film Institute, ethnocentrically gazing, also revives *The Battle of Algiers*. This movie document is the real thing, or almost persuades you that it is. It makes frequent use of newsreels and is shot like one even when it doesn't. The camera quakes through the streets, the black-and-white film all but scorching your retina. Gillo Pontecorvo's 1965 film is a classic of political cinema. It treats historical events not, like

Julien, as a group of carefully lit artefacts to be picked over in a museum but as booby traps exploding under the audience's feet. History, like creation, the movie seems to suggest, is virtual chaos. Humanity's harrowing self-chosen task is to present it all as if it made sense.

Once, perhaps, it did. Before the Nagasaki of 1945 there was Puccini's Nagasaki, a pretty port where beautiful ex-Ceasars plied for lost American naval husbands. Frédéric Mitterrand's *Madame Butterfly* is almost criminally unadventurous: the camera dances obsequious attendance on two handsome, well-voiced leads (Ying Huang, Richard Tronell) and occasionally gazes past them at sparkling views of the sea and sky.

Yet since Puccini's score is idiosyncratic and since Mitterrand (François's cousin) is no idiot, just a little stuffy, the movie melts our hearts anyway. It remains one of life's mysteries that an opera with such shameless instant-access tunes and such dollops of virtual schmaltz should also be so deep, expressive, such real, defined, unforgettable pain.

of their women, eventually he has to flee for his life.

All this transpires in just 45 minutes. Emma Jenkins staged it strikingly in Concorde's designs, with blind tribesfolk clambering feebly up and down a sheer wall studded with giant pins. Much of Turnage's chilly score is devoted to creating a cramped, stifling atmosphere.

The hapless hero and his sweetheart (here Thomas Randle and Regina Nathan, both excellent) had their moments of heartfelt expression, but the net effect was of an abstract morality-play - something which invites drawing thoughtful morals, not sympathy; something like an art-house film for specialised audiences. Ambitious students at an opera-school might well try it.

the poems are emotionally fraught memories and reflections on the wife's lot. Sally Burgess sang her with exhausted passion, judging nicely how far she could dramatise a study in which the drama is all past and internalised.

Turnage's score is darkly beautiful, though of course sometimes harsh. Jazz is close to his heart, and it is assimilated into his musical language here like natural speech. A sharp trumpet is prominent, and bass clarinet like saxophones; but the whole ensemble has a pungent,

Aldeburgh Festival/David Murray

Turnage finds his voice

cautiously toward real opera.

Twice *Through the Heart* is a scena for mezzo-soprano with chamber ensemble, just over a half-hour long. It comprises eight "songs" (plus one voiceless interlude) for a brutally abused wife who has finally killed her husband, and is now in prison: it could be a bitter response to Schumann's uxorious *Frauenthe und leben cycle*. The texts are poems, not dramatic narratives, by Jackie Kay, who adapted them from her original television piece.

The "action" is already over;

● Gürzenich-Orchester and the Kölner Philharmoniker; with conductor Michael Schmwandt in works by Brahms; Jun 29, 30; Jul 1

FRANKFURT

EXHIBITION
Städtisches Kunstinstitut
Tel: 49-69-605098-115
● Pablo Picasso: Suite Vollard - display selected from Picasso's Suite Vollard, a series of 100 works produced in the early 1930s; to Jul 27

HAMBURG

EXHIBITION
Museum für Kunst und Gewerbe Tel: 49-40-24862732
● Alphonse Mucha-Triumph des Jugendstils: display featuring over 230 lithographs, drawings, sculptures and photographs by the Czech-born graphic artist and designer. Mucha's posters and ceramic tableaux made him a very popular artist at the turn of the century; to Jul 27

LONDON

CONCERT
Royal Festival Hall
Tel: 44-171-960 4242
● Philharmonia Orchestra: with conductor Leonard Slatkin and mezzo-soprano Frederica von Stade in works by Haydn, Cantaloube and Mahler; Jun 29

COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820

● Ancient Faces: Mummy Portraits from Roman Egypt - display of nearly 200 mummy portraits on wooden panels, linen shrouds and coffin lids made between the 1st and 3rd centuries AD; to Jul 20

THEATRE

Queen's Theatre
Tel: 44-171-494 5040
● Master Class: by McNally. Directed by Leonard Foglia. Maria Callas is played by Patti LuPone; to Jul 30

MADRID

CONCERT
Auditorio Nacional de Música
Tel: 34-1-337 0100
● Cuarteto Sine Nomine: with clarinet-player Joan Enric Lluna in works by Haydn, Mozart and Brahms; Jun 30

EXHIBITION

Fundación la Caixa
Tel: 34-1-435 4833
● Madrid-Barcelona, 1930-1936: A chronicle of two cities - exhibition examining the political and cultural histories of the two Spanish cities during the country's civil war. Artists represented include Picasso, Miró, Dalí and Gargallo; to Jul 27

MOSCOW

EXHIBITION
State Pushkin Museum
Tel: 7-095-203 6974
● Etchings by Rembrandt: Reflections of the Golden Age - display of Holland's largest collection of etchings by the

Dutch master, including self-portraits, Biblical scenes, mythological figures, book illustrations, figure and bust studies and landscapes; to Jun 29

MUNICH

EXHIBITION
Kunste der Hypo-Kulturstiftung
Tel: 49-89-224412
● Alberto Giacometti: display of works by the Swiss sculptor, with over 60 pieces selected from the Fondation Maeght in St. Paul-de-Vence; to Jun 29

NEW YORK

EXHIBITION
Whitney Museum of American Art
Tel: 1-212-570 3600
● Collection in Context: Rockwell Kent by Night - display of 40 works by the American artist dating from 1910 to 1940 and including paintings, drawings, prints and book illustrations. Kent's work explored the darker side of nature, expressing a particular fascination with the night sky; to Sep 28

JAZZ & BLUES

Avery Fisher Hall
Tel: 1-212-575-5030
● Ray Charles: performance by the singer and keyboard player; Jun 27

PARIS

OPERA
L'Opéra de Paris Bastille
Tel: 33-1-4473 1399

Maggio Musicale

Torpid Turandot sets the scene

Florence's renowned Maggio Musicale - a "musical May" that always runs well into June - began this year with *Torpid* and chilly rain. By the time I flew in for *Torpid* and Strauss's *Ariadne auf Naxos*, however, it was scorching hot and muggy. The American, and Japanese through-witted as they trudged from monument to monument, I sympathised deeply.

Sitting through a torpid *Torpid* in the searing heat is a doubly-uncomfortable experience. Still, the Maggio Fiorentino had spared no effort. They had the film-maker Zhang Yimou (*Red Lanterns, Ju Dou*) to direct the opera, on the filmy ground that Puccini's story is a "Chinese" fable, and four Chinese designers to create a costly riot of oriental colour and pomp - giant shields and tapestries, calligraphic screens, sumptuous costumes for whole regiments.

In the midst of it was the massive Sharon Sweet as a virtually immobile Princess Turandot, raising a haughty right hand from time to time to indicate resolve, surprise or dismay. Her soprano was loud enough to get through even the monstrous noise Zubin Mehta coaxed from his orchestra, but her declamation was curiously insipid: rhythmically loose and languid, drained of expressive colour. She won an ovation nevertheless.

Lando Bartolini made an upstanding Prince Calaf. Though it is almost 30 years since he won the Mario Lanza prize, his forceful tenor still boasts a fine, brazen ring; and he seized his phrases firmly by the throat, where Sweet let them drift. His poor little Lin, who is only there for the pathos, was sung with excessive passion - and no proper legato - by Lucia Mazzaria. The lesser principals were creditable, but all in all the over-weening spectacle earned "nul point" for drama.

For Jonathan Miller's staging of *Ariadne*, the company moved from the big Teatro Comunale to the friendly little Teatro della Pergola. Even then, with elaborate Italian surtitles to help, the farcical prologue-act drew not one laugh; there was nothing funny about Wolfgang Brendel's

grandly sonorous, serious Music Master, Udjko Komlosi's stately Composer (reverently sung) or Heinz Zednik's cold, unpleasant Major-Domo. The Italian audience thought they were watching something Teutonically earnest.

In the opera-within-the-opera Elisabeth Meyer-Topschütz's dignified Ariadne and Thomas Moser's sturdy Bacchus came warmly into their own, though the supporting trio of nymphs was too bright and brittle to supply a consoling note. One splendid bass (Julian Rodescu as Truffaldino) does not a comic quartet make: the Harlequin was wretched in his tender serenade, and the high tenor bleated dimly. In all their jaunty music, the all-important pianist in the pit was accurate but deadily dull.

They went dutifully through the vaudeville routines that Miller taught his Broomhill cast so well a couple of years ago, but with less spark. Fortunately their Zerbine, the American coloratura Laura Aikin, compensated brilliantly: dazzlingly assured in the fearsome rondo, delectable and sexy, in frank Madonna-mode. Everybody loved her, and she saved the evening.

This seemed not to be a vintage year for the Maggio orchestra. It played competently enough for the operas, but never shone. Arturo Tamayo conducted it in a 20th-century programme with Berg's Three Pieces op. 6 at the end, which was untidy and ill-balanced. Perhaps the clotted, indeterminate sound of Adriano Guarnieri's *Omaggio a Mina* at the start was not after all the composer's fault.

A commissioned premiere, Giacomo Manzoni's *Mot, Antoinette*, proved to be a 1960s throwback: an actor hysterically declaiming Artaud (the "Antoinette" of the title), a soprano warbling in the stratosphere, raw Expressionist effects from the orchestra. Ivan Fedele's 1993 piano concerto sounded much more like music. Subtle, poignant harmonies; and the solo part, beautifully written for the instrument, was delivered by Dimitri Vassilakis with lovely finesse.

D.M.

Pop/Ian Shuttleworth

Funk with hard edges

While most contemporary soul heads are on the road of syrupy harmonies and inserting as many twiddly vocal bits as possible, a few bands have chosen the path of big, loose, brassy funk first trodden by Sly and the Family Stone some three decades ago. "Retro" it may be, but when it succeeds it produces quite as many good-time vibes as you could want.

This is the option chosen by The Brand New Heavies, who opened their Capital FM-sponsored concert at the Royal Albert Hall last Friday with the tried and trusted call-and-response tactics of "I Like It". More relaxed than frenzied, they give off the air of an old-fashioned soul revue, with the archetypal three-piece horn section on a podium at the back, and their most recent recruit, vocalist Siedah Garrett, shimmying around the stage with the exuberant inebriance of Tina Turner.

The Heavies are at their best

when going unashamedly for the heavy sound, as in "You Are the Universe" or "Put the Funk Back In"; their sparser, more straight-ahead numbers seem clumping in comparison, especially given a less-than-perfect live mix. Nevertheless, their cover of Maria Muldaur's "Midnight At The Oasis" is that rarity these days, a version of a well-loved oldie which does not desecrate the original - even if, like the 1974 single, it sounds more like midnight at the Oasis Club, West Hollywood.

It is an evening of funk with hard edges, a world away from the likes of George Clinton but thankfully equally distanced from the languorous cocktail soul. There will always be a demand for the kind of concert that culminates in the release of balloons from the roof, and The Brand New Heavies are among the better combos catering to such a constituency.

INTERNATIONAL ARTS GUIDE

BOSTON

EXHIBITION
Museum of Fine Arts
Tel: 1-617-267 9300
● Tales From the Land of Dragons: 1000 Years of Chinese Painting - display of 153 rare and ancient paintings from the Tang, Song and Yuan dynasties, including early Buddhist and Daoist religious pieces; to Jul 20

BRUSSELS

EXHIBITION
Palais des Beaux-Arts
Tel: 32-2-507 8200
● Alberto Burri: retrospective exhibition of work by the Italian artist who began painting while a prisoner of war in Texas. Burri used found objects such as rusted metal and burnt wood in his work; to Aug 17

COLOGNE

CONCERT
Kölner Philharmonie
Tel: 49-221-2040820

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Nonstop live coverage until 15.00 of European business and the financial markets

17.30
Financial Times Business Tonight

CNBC

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

Dee Bridgewater, Otis Rush and the Sonny Fortune Quartet; to Jun 29

VIENNA

EXHIBITION
Graphische Sammlung Albertina
Tel: 43-1-534830
● Christian Ludwig Attersee: exhibition featuring 200 of Attersee's works produced over the past 30 years, including graphic art, paintings and drawings; to Jul 6

OPERA

Volksoper Wien
Tel: 43-1-5144 42980
● Die Hochzeit des Figaro: by Mozart. Conducted by deBilly; to Jun 29

WIENER STAATSOOPER

Tel: 43-1-514442980
● Stiffelio: by Verdi. Conducted by Fabio Luisi; soloists include José Carreras; Jun 28

ZURICH

OPERA
Opernhaus Zürich
Tel: 41-1-268 6666
● Lohengrin: by Wagner. Conducted by Ralf Weikert; Jun 29

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APPENDIX

COMMENT & ANALYSIS



Peter Martin

Stamped into action

The market's herd mentality demands that companies test their strategy against signals from the real world and be prepared to shift direction

All markets have a herd mentality. But some herds are more unthinking and destructive than others. Is the UK equity market such a herd, one that unjustifiably tramples any company that shows a momentary sign of weakness?

The question is provoked by the speed with which National Westminster Bank has lost favour in recent weeks. One senior manager has gone; the future of others is called into question; potential bidders for the bank are touted. Yet the underlying business, with all its strengths and weaknesses, is no different today than it was a few months ago, before this first storm of criticism ignited.

The spark – the revelation of a £77m (\$127.06m) loss on mis-priced options – is the sort of risk inherent in moving into investment banking. A year or so ago, the market broadly approved of NatWest's attempts to build an investment banking business. Many thought progress in this difficult area better than that of Barclays. Now, Barclays is held up as a model and potential bidder. NatWest's investment banking hopes are derided. The direction of the shift in judgment may be justified; the speed and degree are almost certainly not.

Is the problem worse in Britain than elsewhere? It certainly feels so, and there are some good reasons why the UK market is particularly vulnerable to the herd mentality. It is highly concentrated, in several ways. Almost all significant players work in London. Institutional money is unusually dominant. A small number of fund management firms control the bulk of that money. The glaring exception – the role of Edinburgh as an alternative source of fund management expertise – in fact underlines it. Edinburgh fund managers are undoubtedly less prone to

unthinking acceptance of the London consensus. But there are not enough of them to create a genuine two-way market in opinion. Another feature of UK money management – as compared with the US, at least – is the dominance of large balanced funds. This produces a form of closet indexing, in which most fund managers hold stakes in companies in roughly the same proportion as their rivals do. Swings in sentiment are thus self-reinforcing. In the US, fund management mandates are typically more narrowly defined. Fund managers have to sell themselves on their "styles". This allows for institutionalised contrarian thinking, creating the two-way market in opinion that London lacks.

There is also the role of the press. Including the FT, the UK has five daily newspapers that attempt to provide wide-ranging business coverage. Intensely competitive, they seek to outdo each other in pursuing a story once it is hot. The conventions of British journalism allow for outspoken opinions and anonymous quotes. Combined with the incestuous nature of the City, the

press acts as a giant amplifier, turning an emerging consensus into an overnight cause célèbre. All this would not matter if it merely led to temporary over- or under-valuation of individual shares. That would, after all, create opportunities for investors with different time horizons and an independent cast of mind. The damaging consequence, however, is the way the herd mentality pushes company bosses into taking action – any action – rather than continue to face the flood of criticism.

Once a herd is on the move, only dramatic action will divert its attention. One experienced fund manager, musing on the NatWest case, was struck by the way some people at least leapt to the instant conclusion that the solution was a takeover bid, rather than the more mundane alternatives of a change of strategy or management.

So much for the case against the UK equity market. Now let's hear the case for the defence. It starts with a very simple point: that companies often need to be prodded into taking difficult decisions. Sometimes any action is better

than none. The timetable of business is speeding up, and British companies have, if anything, tended to react too sluggishly. A bias for action is healthy. In the NatWest case, the company's strategy clearly needs correcting, as it acknowledges itself. If there is a problem, it lies not so much in the way companies are kicked when they are down, but rather in the way they are allowed to get away with glittering strategic generalities the rest of the time.

There is also a more sophisticated point. Business is changing, on this argument, in a way that makes sudden reversals of sentiment towards a company inevitable. Competitive forces mean that fewer corporate assets – factories, patents, brands, technology – are unique. A higher proportion of corporate value lies in the way the management exploits those assets, rather than in the assets themselves.

Not only is this an underlying trend, but it is reinforced by cyclical factors. "When markets are high, more of the value of the company lies in the future," points out the fund manager quoted earlier. The management's ability to extract future value from the assets in its hands becomes a steadily larger proportion of the company's total worth.

Judging managerial competence is thus increasingly important. But it is also by far the most difficult thing a fund manager has to do, since usually the only information available is the words of the managers themselves. Individual episodes may cast a profoundly revealing light on the way those words translate into deeds. They may therefore change the consensus valuation of the enterprise overnight, in a way that dwarfs their inherent importance. An apparently disproportionate reaction by the mar-

ket may in fact be entirely justified.

In practice, the issue for fund managers and companies is not whether the herd mentality is worse in the UK, or whether it can be deflected. It is how to cope with the consequences. This is important for owners and managers of institutional money, since equity markets are reasonably efficient – for most shares most of the time. This makes big swings of sentiment in the handful of favoured or mistrusted stocks a powerful influence on a portfolio's overall performance.

For owners of institutional money – such as pension funds – one lesson might be to abandon closet indexing. Instead, the best solution might be to index explicitly the bulk of the fund and parcel the rest up among a group of individual fund managers, each with a specific, aggressive task. The core fund would do no worse, in terms of under- or over-valued shares, than the market as a whole; the smaller chunks of money, focused on relatively few stocks, would stand a better chance of anticipating (or resisting) shifts of sentiment.

For corporate managers, the lesson is probably the one preached by Mr Andy Grove, Intel's chief executive: the need for corporate paranoia. Continuous internal self-criticism, even when the market thinks you are hot, is probably the best protection against waking up and discovering you have suddenly gone cold. That means continuously testing the company's strategy against the signals from the real world. It means endlessly asking whether capital could be put to better use elsewhere, then acting on the conclusions. The best protection against the herd, after all, is to make sure you are not in its path.

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LETTERS TO THE EDITOR

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Singapore opposes defamation

From Mr J. Y. Pillay.
Sir, Samuel Brittan ("Zero tolerance, Singapore-style", June 12) repeated some of Christopher Lingle's distortions about Singapore. Mr Brittan says that Mr Lingle's article made "no specific reference to Singapore". But the International Herald Tribune (IHT) admitted that Mr Lingle's remarks could be construed as suggesting that the Singapore judiciary was compliant and that our senior minister, Mr Lee Kuan Yew, had relied on it to bankrupt opposition politicians through court actions. And those that interfere in domestic politics, especially by

publishing tendentious articles on Singapore and refusing the government's right of reply, may expect their circulation to be restricted. Had the Singapore government offered the free flow of information, Singapore would not have become the financial centre of the region. Nor would many international news organisations, like Reuters and Asia Business News, have made Singapore their regional base.

J. Y. Pillay,
high commissioner for the Republic of Singapore,
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London SW1X 8RW, UK

Best method to sway Turkey is by trade

From Mr Andrew Wigley.
Sir, With reference to your editorial ("Creeping coup", June 23), while the EU's woes about Turkey continue, the west would do well to engage in more constructive dialogue with Ankara.

Europe flagrantly courts one of the fastest-growing economies. It is by trade and economic relations that influence can be brought to bear upon Turkey, and increased prosperity should

prompt reform internally. Those European politicians who suggest that Turkey should be excluded from Europe are mistaken in identifying the alienation of Ankara as the path to progress.

Andrew Wigley,
23 rue Général Caplaumont,
1040 Brussels,
Belgium

Steady progress towards transparency

From Mr Frank Vogel.
Sir, Stephanie Flanders draws attention to the reality that corruption problems cannot be solved by decree (Economic Notebook, June 23). But it would be wrong to underestimate the significance of the Denver summit declarations.

Those of us who have been campaigning for years to focus attention on corruption are overjoyed that the topic was on the Denver agenda. The leaders went to considerable lengths in their Group of 7 communiqué on June 21 to highlight specific 1998 deadlines for actions by OECD governments to cri-

minalise international bribery, specifically in encouraging the World Bank and other multilateral institutions to implement new anti-corruption strategies. The summit statements reinforce efforts to pressure the Bonn government to end the tax deductibility of foreign bribes for German businesses. And they will make it harder for OECD members to use bureaucratic tactics to delay or water down action to make international bribery by multinational corporations illegal.

Intrigue and distrust

Netanyahu's first year as Israeli prime minister has been beset with crises and broken promises, says Judy Dempsey

On Monday evening, Mr Benjamin Netanyahu, Israel's prime minister, clinched a deal with Mr Natan Sharansky, trade minister and head of Yisrael Be'Aliya, the Russian immigrant party. It cost \$125m (\$64m). The money will finance programmes for Russian scientists and housing for the 750,000 Russian immigrants who have arrived in Israel since the early 1990s.



Poison pact: Netanyahu's deal with Yisrael Be'Aliya prompted Meridor (right) to resign

For Mr Netanyahu, it was taxpayers' money well spent. This week he needed the votes of Yisrael Be'Aliya's seven parliamentary deputies to defeat a no-confidence vote proposed by the Labour opposition. The party toed the government line and the prime minister survived.

But Mr Netanyahu's parliamentary power base is far from secure. The deal with Mr Sharansky was part of the reason the prime minister did not present a promised \$125m budget cut to the cabinet a week ago. This prompted the resignation of Mr Dan Meridor as finance minister because he was unable to work with a cabinet he felt was riven by intrigue and distrust.

"Netanyahu had to keep Sharansky on board," says a senior adviser to the prime minister. "I hope the government can now get down to work and start making tough decisions."

If the record is anything to go by, the chances of this are slim. Since coming to power over a year ago, Mr Netanyahu has lurched from crisis to crisis. He has failed to deliver on a wide range of promises, including the introduction of a coherent privatisation programme.

Many believe the pending privatisation of Bank Hapoalim, which controls 40 per cent of the country's banking assets and manages most of the pension and provident funds, to be flawed. Mr Netanyahu wants to sell the bank to a single owner and will not countenance the break-up of its holdings. "This privatisation will not lead to competition in the sector," admits one of his economic advisers.

Promises of capital market reforms, including an overhaul of the deficit-ridden state pension system, have

fallen by the wayside. Talk of dismantling the monopolies, such as water and the Israel Lands Authority, which controls 92 per cent of all land, transport and agriculture, has come to nothing. "Although, Netanyahu says he wants to sweep away uncompetitive practices, I no longer believe he is prepared to challenge the lobbies," the adviser says.

The reluctance to address such issues may be put down to inexperience. But it is also a reflection of Mr Netanyahu's preoccupation with trying to keep together an unwieldy coalition of nationalists, religious parties and conservatives to which he has made various – and sometimes conflicting – promises.

"I am quite confident that Netanyahu has no idea where he is going," says Mr Efraim Inbar, political scientist at the Begin-Sadat Centre for Strategic Studies at Bar-Ilan University. "He does not have a wide horizon. If anything, he is thinking about survival and the elections in 2000. That means he wants to build up his own elites – ones he can completely rely upon."

The resignation of Mr Meridor appears part of the effort to snuff out potential challengers to Mr Netanyahu both inside and out his Likud party. "Meridor was the voice of decency in the government," says a foreign ministry official. "Netanyahu resented him."

In January, Mr Netanyahu appointed his ally Mr Roni Bar-On as attorney-general. Mr Bar-On was forced to

resign after the legal profession claimed he was incompetent. Senior judges later concluded there might have been a plot by one government official to engineer his promotion.

But Mr Netanyahu remains impervious to criticism that his appointments are based on loyalty rather than competence. Recently he placed several of his supporters into prominent diplomatic posts without consulting the foreign ministry. This alienated Mr David Levy, foreign minister, whose Geshet faction refused to support Mr Netanyahu in the no-confidence vote, deepening divisions within the government.

Mr Netanyahu is also attempting to change the structure of the left-leaning Israel Broadcasting Authority, the public service television and radio network, by abolishing the licence fee and making it dependent on advertising.

"Netanyahu is determined to build up counter-elites to Labour which dominate many of Israel's institutions," says Mr Inbar. "Unlike Labour, the right-wing does not have its own newspapers; it does not have its own candidates for ambassadors; it does not have its people in the top judicial jobs or in the universities. Mr Netanyahu is seeking revenge against the establishment now that he has the power."

This determination to exert centralised power over Likud and build a loyal, rightwing power base – even at the cost of alienating mod-

erate Likudniks such as Mr Meridor – began in the party districts. One Likud supporter says that since Mr Netanyahu secured the party's nomination for prime minister in 1993, he has put his own people in the district organisations. "If they do not toe the line, they will not be promoted."

In spite of opposition within the parliamentary party, Mr Netanyahu has survived several no-confidence votes because of a new electoral system that makes it harder for deputies to oust him without losing their own jobs. Even so, Mr Meridor hopes to muster the two-thirds majority needed to bring down Mr Netanyahu without forcing the dissolution of parliament.

In his efforts to control the party, more important issues have been neglected. The peace process is at a standstill, and the Palestinians are in limbo. "We have no idea where we are going with Netanyahu," says Mr Saeb Erekat, Palestinian chief peace negotiator.

Economic policy remains incoherent. And much of the international goodwill Israel gained during the height of the peace process in 1995 is evaporating.

"Maybe – and this is a big maybe – things might improve after the pending cabinet reshuffle and the defeat of the no-confidence vote," says one of his advisers. "Maybe Netanyahu can start communicating with, and trusting, his ministers. We have wasted much time and made many mistakes. It cannot continue like this."

Pfizer forum

Competition Lowers the Costs of Medicines for Consumers

BY W. DUNCAN REEKE

In many European markets, new pharmaceutical products are subject to direct price controls. A recent study of six countries with varying degrees of price freedom for new medicines found that price freedom permits competition, which tends to lower pharmaceutical prices. The author asks why the full effect of this competition should not be encouraged.

The pharmaceutical sector is a key component in the economic and social welfare of all countries. Yet today, various constraints and pressures facing the industry worldwide are making the environment in which it operates markedly tougher. These range from regulatory inflexibility, unpredictability and outmoded controls, to a weakening of intellectual property rights. Such pressures are often combined with diverse and inconsistent government policies on drug price and reimbursement levels set by various national authorities. Because governments are under pressure to contain overall health care costs, they have often targeted pharmaceuticals.

As a result, price regulation is not uncommon, even given the fact that drugs account for only a relatively small and often declining proportion of health care spending. In addition, some governments, particularly the U.S. government, have also focused on the regulation of research and development activities, often imposing highly complex, time-consuming licensing procedures on innovation. Still others heavily regulate the industry's distribution mechanism, stifling institutional evolution.

Are these policies worth their cost? A recent empirical pricing study of six countries – Denmark, Germany, the Netherlands, South Africa, the United Kingdom, and the United States – examined whether there are any economic advantages in allowing entry to markets at the manufacturer's risk and at prices of their choosing. The evidence shows that considerable economic advantage for customers results from allowing free access to pharmaceutical markets, and that these advantages would be lost if regulators opted

to limit access on grounds other than safety or efficacy. Furthermore, institutional evolution in the marketplace is reinforcing the competitive pressures of product innovation as novel distribution channels emerge, not only competing with each other, but imposing further constraints on factory exit prices.

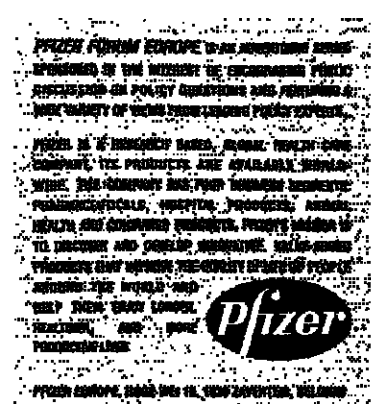
The multi-country study found that, in markets where there is some semblance of

rate fluctuations, another result of price control is to introduce wasteful anomalies. This is not to argue that there should be no pressure for cost containment in pharmaceutical expenditures. The issue is how that pressure should be applied.

The pricing patterns revealed in the six countries studied suggest that competitive forces are far from repressed in pharmaceutical pricing. But the question must then be posed: why not permit the price depressing influence of competition its full effect? Why distort or suppress competition by regulation at the level of the manufacturer or the retailer? Why not encourage it by enhancing information flows to prescribers and patients?

The alternative to regulation is competition to enable consumers to discuss information and product attributes and, in particular, price. Prices assist consumer choice, and choice exercised provides the ultimate benefit of therapy. Artificial suppression of price by regulators distorts choice. Attempts to discourage innovation by regulation reduces choice. And, by extension, distorted and reduced choice distorts and reduces – in the patients' and prescribers' eyes – the values to them of the ultimate benefit of therapy and cure.

W. Duncan Reeke is E.P. Bradlow Professor of Business Economics at the University of the Witwatersrand in Johannesburg. His full study, *Medicine Prices and Innovation: An International Survey*, can be obtained from The Institute of Economic Affairs, 2 Lord North Street, London SW1P 3LB.



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FINANCIAL TIMES

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Thursday June 26 1997

New Japan, old Japan

There have been two important question marks hanging over the Japanese economy since the government decided to go ahead with its April consumption tax rise. These were whether the tightening would thwart the recovery and, more important, whether this recovery would be any different from previous ones. Yesterday's Bank of Japan Tankan survey of business confidence for June provided some important hints on both fronts.

The good news is that at least one major part of the economy - manufacturing - seems to have been sublimely indifferent to the tax rise. At plus seven, the positive balance of self-described optimists in this sector was the highest since 1991, and well above expectations.

The Bank's finding will quell fears that the government had inflicted too much fiscal rigour on the economy, too soon. Yet the sharp initial fall in the domestic bond market in response to the survey was probably overdue.

For all the large manufacturers' optimism, the evidence on how the rest of the economy is faring since April has been very mixed. The Bank of Japan does not want to raise the discount rate only to cut it again a few months later. That suggests waiting to get a more complete - and positive - picture of the economy as a whole, which it is unlikely

to have before September.

If the recovery does prove resilient it will be one up for Mr Ryutaro Hashimoto, the prime minister, who has faced criticism from Washington for pushing through the tax rise. But the US worry that growth, as a result, would be skewed heavily toward exports has not been laid to rest. With a revived tradeable sector once again carrying the rest of the economy, many concluded yesterday that years of recession and supposed deregulation had changed nothing. Japan is the old-style "dual economy" it always was - with old-style trade battles with the US to look forward to.

This is only half-right. If Japan is indeed repeating its pattern of export-driven growth, it can only be because a good many manufacturers have been fundamentally changed by the difficult early 1990s. They have been forced to come up with highly innovative ways to cut costs and develop new products. This, coupled with a weaker yen, may have made them more competitive than ever, not just internationally but in (now more open) home markets.

The challenge for Mr Hashimoto will be to use deregulation to achieve the same sea-change in the rest of the economy, so that manufacturing may take a smaller role. But in the meantime he has some skirmishes with the US ahead, and soon.

The vital state

The only thing as harmful as a bad government is no government at all. These two apparent opposites are in fact closely connected. Tyranny can easily finish in anarchy. No tasks are more important, but also more difficult, than discouraging the emergence of dreadful government and rescuing countries with no government.

These are the stark lessons to be drawn from this year's World Development Report, the focus of which is the state. Without it civilisation is impossible and development inconceivable. But the state's monopoly of coercive power is also dangerous. It can be an effective servant or a rapacious master.

The state, argues the report, has five core functions: establishing law; maintaining a non-distortionary policy environment; providing basic social services and infrastructure; protecting the vulnerable; and protecting the environment. To these, in the right circumstances, others may be added. But they should be added with care. A state that tries to do more than it can will end up achieving less than it should. This may sound like a call for minimalism. But it is merely one for modesty. The modest state will also see the need for improvement. If it is to improve, the state must impose restraints on itself and its servants. A sense of public service must be

instilled, with officials rewarded for competent and honest performance. Discretion must be limited and as much economic activity as possible be subject to the market mechanism.

The state is always a work in progress. What worked superbly at one stage of development can readily fail at the next. Reform is also slow. Eliminating exorbitant tariffs can be done overnight. Creating a competent judiciary is the effort of at least a generation.

Yet there is hope. The relatively sophisticated and capable states of today's advanced economies grew from sadly incompetent and corrupt beginnings. A virtuous circle from reform of the state to policy reforms and back to further improvement of the state undoubtedly exists. Yet so does its vicious counterpart. In too many countries, over-ambitious states are still less effective than a generation ago. Sometimes they have even disappeared.

Can the sick physician heal himself? Evil governments will not magically become good nor foolish governments suddenly become wise. But opportunities for reform do arise. The report's most important implication is that the grotesquely incompetent must not be propped up. Sometimes it is necessary to wait for the opportunity to help a country determined to start afresh.

The IRA's call

Mr Tony Blair's latest elucidation of the terms for the entry of Sinn Féin/IRA into multi-party talks on the future of Northern Ireland represents the unfinished business of Mr John Major's administration.

The new Anglo-Irish paper designed to break the deadlock on the decommissioning of paramilitary weapons was in large part drafted before the British general election. The proposed six-week gap between a credible Sinn Féin/IRA ceasefire and its entry into the talks was also considered by the last government. Both initiatives were lost in the paralysis which accompanied the loss of Mr Major's parliamentary majority and his reliance on the Ulster unionists.

Against that background, the charge laid by some unionists that Mr Blair is making fresh concessions to the terrorists even as Sinn Féin/IRA steps up its campaign of murder and bombing is misconceived.

The proposal that weapons be set aside in parallel with substantive political negotiations is designed to remove the roadblock which has stalled progress in the talks for the past year. It matches the recommendation of Mr George Mitchell, the former US senator who is acting as independent chairman in the multi-party talks. As to the timescale, this acknowledges it is more important to assess the quality of any ceasefire than to impose a lengthy "decontamination period".

So it is understandable that in the first months of his government Mr Blair wants to exhaust every possible legitimate avenue to ending the violence in Northern Ireland. If nothing else, this should ensure that international and domestic opinion sees precisely where the blame lies if Sinn Féin/IRA continues to put violence ahead of politics.

In one respect this leaves the initiative with the republicans. Mr Gerry Adams, the Sinn Féin/IRA president, has now run out of excuses in refusing to renounce terrorism. For all Mr Adams' attempts to distance himself from the IRA, the reality is that the political and military wings of the republican movement share the same leadership. If it refuses now to re-establish a ceasefire it will confirm suspicions it never intended to swap the bullet for the ballot box.

For his part, Mr Blair must add credibility to the deadline of next May for a political settlement - with or without Mr Adams. The outlines of the eventual accord are known. Devolved government in Belfast would be accompanied by stronger links with the Republic and enhanced co-operation between London and Dublin. Each strand of any settlement would also entrench the principle that Northern Ireland's future can be decided only with the consent of its people. Sinn Féin/IRA cannot escape that reality.

New tricks for old dog

France's unique style of capitalism is slowly becoming more open and driven by shareholders' concerns, says Andrew Jack

Mr Jean-Louis Bédaride, chairman of Saint-Gobain, the powerful French glass and building materials group, is bracing himself to deliver a damaging and potentially lethal blow to the country's unique style of capitalism.

He has just resigned from the board of Suez, the utilities giant and is soon to follow up by selling most of his group's shares in the company. Mr Gérard Mestrallet, chairman of Suez, has in turn said he will reduce his company's reciprocal stake in Saint-Gobain.

The mutual pullout will bring to an end one of the most potent symbols of the complex system of cross-shareholdings and reciprocal board memberships that has been at the heart of French capitalism over the past 30 years. Its demise reflects growing calls for shareholder value at a time when a wave of corporate restructurings and mergers are leaving companies more exposed to stock market pressure.

Mr Bédaride has been one of the linchpins of a system seen by critics as designed to preserve incumbent management rather than to produce value for shareholders or respect modern rules of corporate governance. Even its supporters have begun to argue that the approach was a necessary but temporary evil whose justification is fast running out.

"French-style capitalism has had its time," says Mr Pierre Richard, chairman of Dexia, the bank formed by the merger of Crédit Local de France and Crédit Communal de Belgique. "It was the reign of cross-shareholdings, and of the mutual protection of chief executives. Corporate governance is about economic democracy, with the restoration of the role of shareholders."

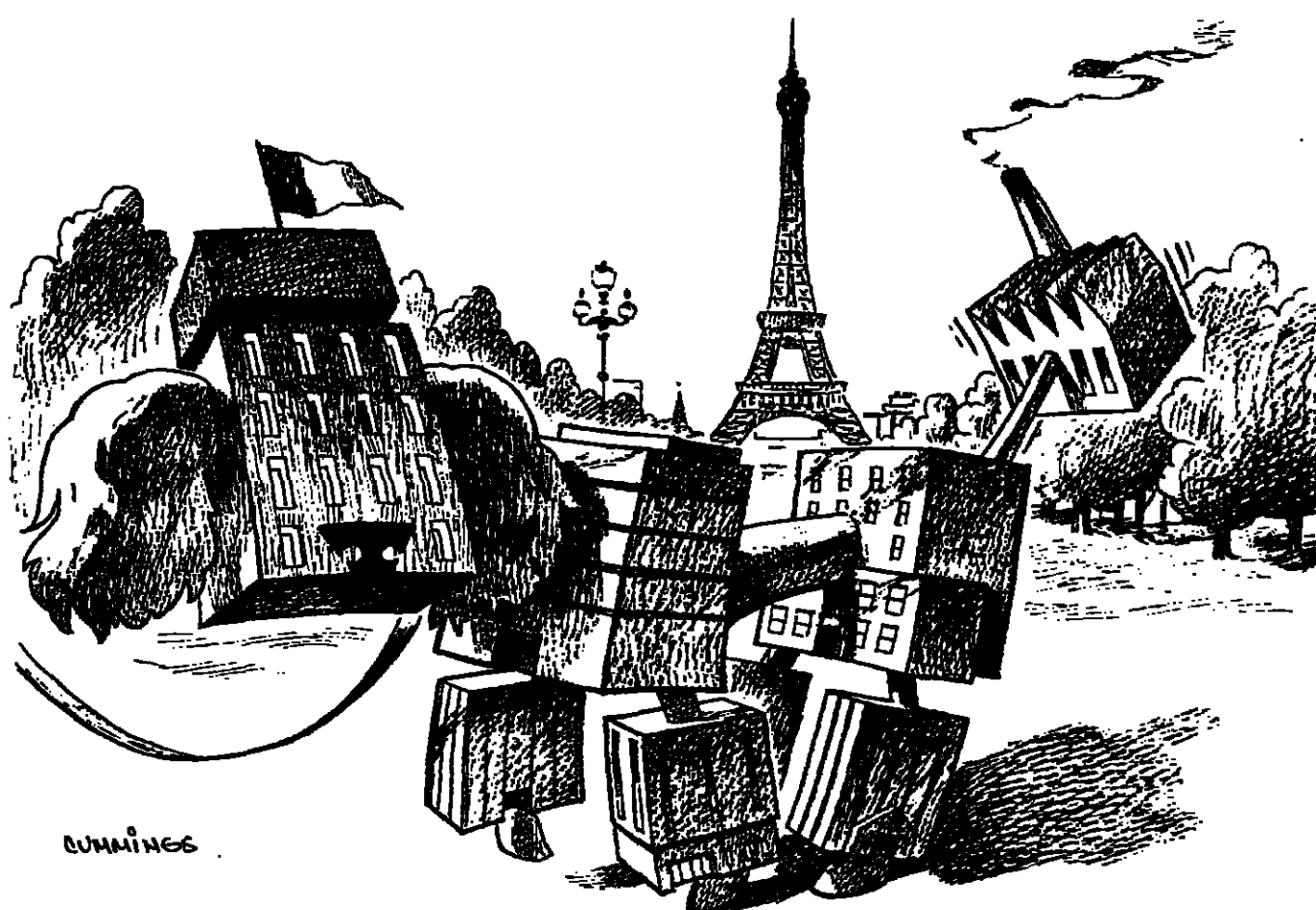
Suez had become a holding company with a diverse range of participations in other businesses, many of which had reciprocal stakes and seats on its board. As a result, it was pulled in many different directions by its directors, each with their own conflicting interests. Few bold decisions were taken and the group was stagnating. The penalty was suspicion from investors, a lower stock market capitalisation than the value of its assets, and a credit rating under pressure. The net result was to force the pace of change.

"The time of the big financial holding companies is over," says Mr Mestrallet, the chairman appointed two years ago. "From now on they have to find their own activities and a real vocation."

His response was to sell off a range of businesses, notably in the financial sector, and transform Suez into a utilities group. This paved the way for the merger with the utilities group Lyonnaise des Eaux, ratified by shareholders last week.

But the group's new, tighter focus rendered other investments - including those in EDF, UAP and Saint-Gobain - all but irrelevant. Saint-Gobain was left marginalised and increasingly in a position of conflict, given its stake in the rival utilities group Générale des Eaux. It had little choice but to begin unwinding its position.

Mr Bédaride himself, who vows to apply "a purely financial vision" to running Saint-Gobain, says of



the cross-shareholdings which linked his group to several friendly investors including Suez: "We needed a stable shareholding while bringing about change. But now we are profitable and appreciated by the market, it is no longer necessary."

Some of Mr Bédaride's associates say he still dreams of preserving the French-style system of alliances. But, driven by the increasing difficulties of maintaining his conflicting investments, he has simply taken the pragmatic decision to sell his stakes at a time when rising stock market values have made his exit less painful. Suez's position was far from unique. Mr François Morin, an economics professor at the University of Toulouse I, says the old-style French system dates back to the 1960s. One characteristic of the era was "auto-control". Many quoted companies held a considerable proportion of their own shares, which protected them from hostile takeover bids and shielded their managements from potential challenges by outside investors.

A second element was the role played by two huge financial holding companies - Suez and Paribas - which built up rival "families" of interlocking business investments. During the late 1960s, for example, Suez acquired significant stakes in both Saint-Gobain and Lyonnaise des Eaux.

In the 1980s, two rival state-owned enterprises - the bank Crédit Lyonnais and the insurer UAP - began to build their own competing corporate "empires" by buying large stakes in other companies. Their role became particularly important during the privatisations launched by the Gaullist governments of the late 1980s and the early 1990s. Given the absence of private pension

funds or other domestic institutional investors, the state encouraged these groups to support a system of "capitalism without capital". They became part of the *noyau dur*, or "shareholders of reference", acquiring significant stakes in the companies being sold off to prevent control falling too quickly into foreign hands.

"It was always supposed to be a temporary system for two or three years designed to give the companies time to build alliances during a period of transition after the total protection of the state," says one executive. "But some companies, such as Saint-Gobain, Rhône-Poulenc and Schneider, saw it as a much more long-term defensive strategy."

During the 1990s, the economic recession and an unprecedented property slump created too much pressure on France's four capitalist families for the system to endure. "Suez and Paribas, the two big godfathers of 30 years ago, have financial problems and can no longer play that role," says Mr Elie Cohen, director of CNRS, the Paris-based centre for the study of political life. "Crédit Lyonnais and UAP tried to replace them - and failed."

Crédit Lyonnais was the first casualty. Still owned by the state, it is protected from shareholder pressure. But huge losses forced the government to impose a restructuring plan in 1995 which stripped away more than FF200bn in assets from the bank's balance sheet and put up for sale most of its corporate investments.

The insurer UAP faced a similar fate. Weighed down by property losses and the often unprofitable stakes that it had been

forced to acquire in other French companies, it was privatised in 1994. It became a prime target for takeover and last November, its rival Axa pounced.

Axa has sold off more than FF5bn (\$860m) in equity stakes in the combined group since the acquisition. Mr Claude Bébér, the chairman, argues that his responsibility is to provide his own shareholders and policyholders with a high return on investment, and not to create or sustain corporate empires. "I do not want to be the godfather of French capitalism," he says.

Ironically, the price of Axa's takeover was the severe weakening of its own network of friendly investors that had protected it from takeover threats. By using its own shares to acquire UAP, it substantially diluted the control wielded over Axa by a series of mutual insurance companies and its long-standing ally Paribas.

Mr Bébér hints that Axa's reciprocal stake in Paribas, as well as the residual investment it inherited from UAP in the bank BNP, are likely to be cut. "There are no no-go areas," he says.

Profound changes are under way. But the degree to which France's old system of protective cross-ownership has broken down is still open to question. A number of analysts argue that the move towards genuine corporate governance is progressing more rapidly in other countries, such as Germany and Italy.

Although some foreign financial institutions are beginning to agitate for change, many are more passive. Rather than fighting for shareholder value, they often prefer to sell their stakes or simply remain silent investors.

Mr Morin dismisses many of the changes in corporate ownership over the past two years as

merely a recombination of the existing system, with new alliances taking the place of old ones. "You have to distinguish the rhetoric of the companies designed to give a certain image to Anglo-Saxon investors from the reality," he says.

"You should be sceptical when people talk about radical change," agrees Mr Cohen. "There has been a redistribution of ownership and we are leaving behind a form of capitalism dominated by the state. But I do not believe it will lead to a convergence with Anglo-Saxon style financial capitalism."

Certainly, a number of significant cross-shareholdings remain, such as that between Saint-Gobain and the utilities group Générale des Eaux. New agreements have also been forged or renewed in recent months, including the pact this spring between the bank Société Générale and Havas, the media group.

But these alliances appear to be strategic, driven more by an industrial logic than by politics or self-defence by incumbent managements. And the new generation of corporate power brokers, such as Mr Bébér and Mr Jean-Marie Messier, the youthful chairman of Générale des Eaux, has considerably less autonomy than its predecessors. They are more accountable and vulnerable to critical stockmarket investors than ever before.

French executives like Mr Bédaride may still privately dream of an alternative to Anglo-Saxon capitalism. One of his competitors bluntly points out, however, that Mr Bédaride does not seek capital from the more closed markets of Germany or Japan, but rather from the US and the UK. "It is the capital markets that dictate the law now."

OBSERVER

Real world leadership

■ Despite being fired back home as the men everyone wants to meet, British prime minister Tony Blair didn't make much of a splash with the general public on his US travels.

His troubles began in Denver when he lost the game of musical chairs at the start of the summit of the Eight and ended up without a seat at the conference table. Even more embarrassing, the world's biggest hitters didn't even appear to notice as he hovered sheepishly behind them looking for somewhere to park. All in all it was the maiden performance of another leader - Boris Yeltsin - which grabbed the limelight. Things looked brighter when the PM flew to New York and found the city all agog at the prospect of the arrival of everybody's favourite Brit. Sadly, it wasn't Blair they were waiting for; enter the Princess of Wales, preparing to hog her collection of frocks down at Christie's.

At least the new boy was assured of top billing at a \$30,000 bash at the Sutton Place pad of ex-pat New Yorker editor Tina Brown. Surely such lavish attention had nothing to do with Brown's increasingly public campaign to become the next

British ambassador to Washington?

Wolf whistle

■ Say what you like about the French, but they know how to do things in style. Respected fashion guru Yves Saint-Laurent has agreed to dress the 2,800 officials who'll preside over the soccer World Cup finals in France next summer.

Disappointingly, though, the agreement covers only off-field attire. On the field, officials will still sport the traditional little black numbers.

Fine line

■ Former Aegon insurance chairman Jaap Peters says he'll console himself with "an extra evening drink" if Dutch companies don't comply with his new corporate governance guidelines.

But the final report of the commission he's chaired for the past year - the equivalent of Britain's Cadbury and Greenbury committees - hardly binds the corporate sector hand and foot with regulations. The only thing Peters wants from government is action to make share buy-backs more attractive.

Of course not everyone is thrilled that yesterday's measures go only fractionally

further than interim proposals outlined by Peters last October. The only real change since then has been to ask companies to spell out directors' stock options in their annual reports; the total for each board, that is, not each director's cut.

Pieter Paul de Vries, chairman of the VEB shareholders' association, says he'll be knocking on doors in The Hague if companies don't play ball.

Family fortunes

■ The redoubtable Michèle Bénédict-Blanchet is causing something of an earthquake at the house of Publicis, the advertising group founded by her late father Marcel. Following the death last year of the man credited in France with turning advertising into an art form, Michèle has decided to liquidate her stake. She's even threatened to use the courts to destroy Somarel, a holding company through which most of her shares are held and which is blocking her attempts to sell.

Much of her frustration is directed towards her elder sister, Elisabeth, who has taken charge of Somarel and the Publicis supervisory board, and is married to the former Socialist justice minister Robert Badinter. Neither side will discuss whether family tensions contributed to the crisis; but

there doesn't seem to be much sisterly love between Michèle and the woman she refers to as "Madame Badinter".

Bit of a stink

■ It's no secret that the Americans managed to rub French PM Lionel Jospin up the wrong way in Denver, and they risk making more enemies with their latest policy initiative. Gallic cheese-makers are up in arms about US demands for pasteurisation of dairy products; if carried through that would be bad news for camembert, roquefort and other national delicacies.

While the French themselves would be able to go on eating smelly cheese, if the US gets its way other countries would be entitled to ban unpasteurised imports on health grounds.

And who cares that France exports only a tiny sliver of its camembert production? There's a principle at stake. Apparently, zapping cheese to kill off all the nasty bugs also gets rid of the ripe, raw taste and smell of old socks so treasured by connoisseurs.

"Allowing only pasteurised cheeses would lead to an impoverishment of France's cheese heritage," fumes François Michel, president of the Normandy federation of camembert makers.

Financial Times

100 years ago

The Jamaica Loan Jamaica is somewhat fortunate in its selection of a date for the issue of its new loan, for the announcement comes at a time when the British Colonies are enjoying the flood tide of public favour. For the first time in its history, the island has come forward with a three per cent loan. The 1870 issue, which was guaranteed by the Home Government, bore interest at the rate of 4 per cent; that of 1879 at the rate of 4½ per cent; and those of later date at the rate of 4 per cent.

50 years ago

One Hundred Millions The announcement in the House of Commons yesterday of a new corporation for Colonial development is parallel and complementary to the West African Ground Nuts scheme, and equally welcome. The corporation, empowered to borrow up to £100 millions, will assist and increase the productive capacity of the colonies either by helping existing enterprises, encouraging new ones or creating subsidiaries of its own. The corporation is to run on commercial principles.

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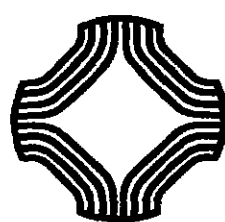
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CITICORP 

COMPANIES AND FINANCE: INTERNATIONAL

Bancaire in FFr3bn consolidation bid

By Andrew Jack in Paris

Compagnie Bancaire, the specialist French financial services group controlled by Paribas, yesterday launched a FFr3bn (\$515m) bid to buy out the minority investors in two of its partly-owned subsidiaries.

The friendly takeover - which covers Cardif, a life assurance and investment group, and UFB Locabail, a lender to the small business

sector - represents an important consolidation in France's financial services sector.

Compagnie Bancaire has offered FFr900 for each of the 2.3m outstanding shares, representing 39.4 per cent of the capital, in Cardif, and FFr600 each for the 1.6m outstanding shares in UFB Locabail, representing 27.5 per cent.

Mr Philippe Wahl, deputy managing director of Com-

pagnie Bancaire, said: "This is a win-win situation. It gives us more flexibility in our financial management, and greater freedom to distribute our capital and increase profits, while offering a good price for the minority shareholders."

He stressed that the group had sought a fairness opinion from the specialist advisers Associés en Finance, which placed a valuation of FFr625-FFr871 a share on

Cardif and FFr503-FFr662 on UFB Locabail. Those values represent a premium to the average quoted price over the past three months of 28 per cent and 13 per cent, respectively.

If successful, the bid will allow the group to consolidate fully the results from the two subsidiaries, which are highly profitable, in part to compensate for the heavy losses seen from provisions in its property activities.

Mr Wahl said the acquisitions would help accelerate Compagnie Bancaire's objective of achieving a 15 per cent return on equity "as soon as possible". He said further acquisitions could follow, but the group considered it was best to launch takeovers on "two companies which are solid and in which we have confidence". To finance the operation, the group plans a preferential rights issue of up to

FFr2bn, in which its parent Paribas will fully take up its subscription rights. It made a commitment to maintaining its BIS Tier One solvency ratio at equal to or greater than 10 per cent.

Mr Wahl declined to comment on whether discussions were under way with Paribas, which recently increased its stake to just over 50 per cent, to buy further shares in Compagnie Bancaire.

Anglo backs JCI-Lonrho merger

By Mark Ashurst in Johannesburg

Anglo American, the South African mining giant, yesterday expressed support for a merger between mining house JCI and Lonrho, the UK-based conglomerate, but denied it was the architect of the deal.

Mr Julian Ogilvie Thompson, Anglo chairman, said the proposed merger "seemed to us to make sense. JCI lacked critical mass, and Lonrho needs more technical people, who are here in Johannesburg". But he denied that the plan had been devised by Anglo as a means of acquiring Lonrho's 33 per cent stake in Ashanti Goldfields of Ghana, the lowest cost gold producer in Africa, in exchange for its stake in Lonrho.

Anglo is the largest shareholder in Lonrho, with 27 per cent, and retains an effective 18 per cent stake in JCI.

Last month, it was ordered by the European Commission to reduce its holding in Lonrho to below 10 per cent within two years to avoid concentration in the platinum industry.

Lonrho and JCI confirmed on May 18 they were in "exploratory" merger talks. The deal would create an international mining group valued at about \$3bn. Anglo is prepared to cancel its stake in Lonrho in exchange for the UK group's holding in Ashanti.

Mr Ogilvie Thompson said the merger was the brainchild of Mr Mzi Khumalo, JCI chairman, who led a consortium of black investors

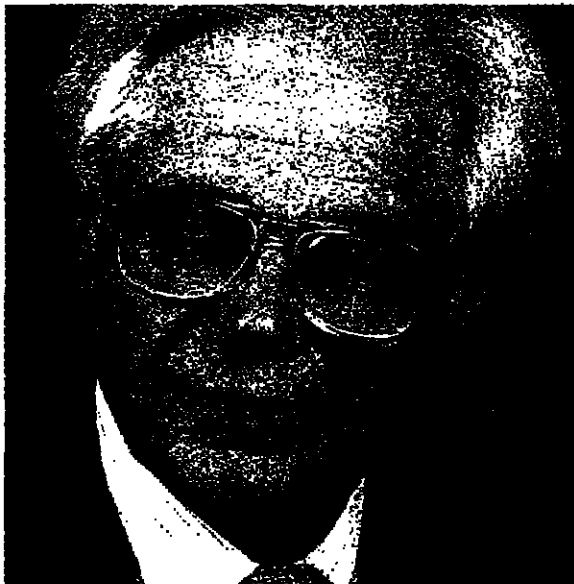
which bought a controlling stake in JCI from Anglo last year.

"I want to dispel any idea that we are running this thing," Mr Ogilvie Thompson said. "The idea of swapping our Lonrho shares for Ashanti came from the Lonrho side, not from us."

It is understood that Anglo had earlier offered to buy the Ashanti stake. Lonrho said last night: "We are not sellers of the Ashanti stake, but if somebody offered us a price that was in the interests of our shareholders, we would have to consider it."

The proposal is fiercely opposed by Mr Tiny Rowland, Lonrho's founder and a significant shareholder.

In a circular to shareholders he insisted: "JCI needs Lonrho, but Lonrho certainly does not need JCI."



Julian Ogilvie Thompson: plan seemed to make sense

Denmark set for further telecoms sell-off

By Hilary Barnes in Copenhagen

The Danish government intends to sell "all or part" of its remaining 52 per cent of the shares in Tele Danmark, the former monopoly telephone services provider, according to Mrs Jytte Hilden, minister for research.

Mrs Hilden, who is a member of a minority government, said she would initiate negotiations concerning the sale of the state's shares with the parties represented in the Danish parliament this autumn.

A large international privatisation share issue in the spring of 1994 raised DKK13.5bn (\$2.9bn at the then exchange rate), when the issue price was DKK310 a share against yesterday's closing price of DKK344.

Since the 1994 privatisation, Tele Danmark has made strenuous efforts to diversify internationally. It has stakes in several cellular network operations, mainly in eastern Europe.

In 1995, it acquired a 16 per cent share in Belgacom, the Belgian state telecoms group, and it is competing in the Swedish telephony market through Telenordia, a company jointly owned with the UK's BT and Norway's Telenor.

By the autumn, an analysis of the company, commissioned by the government earlier this year as background to a possible share issue, will be available. It is being carried out by Den Danske Bank and N.M. Rothschild & Sons.

Mrs Hilden's statement follows the recent completion of legislation liberalising the telecommunications business and opening it up to competition. The Danish legislation was finally enacted this month, some six months ahead of the planned deadline for liberalisation of the EU market.

"Now that the legislation is complete, it is natural to take up the issue of the state's ownership of the shares," said Mrs Hilden. Last year Tele Danmark's profits slipped from DKK5.45bn to DKK5.06bn (\$770m), a consequence of heavy marketing costs for the domestic cellular operation. Earnings per share slid from DKK26.67 to DKK23.69, on turnover ahead from DKK18bn to DKK23.3bn.

Total assets at the end of last year were DKK47.1bn, with share capital of DKK27.9bn.

EUROPEAN NEWS DIGEST

Cariplo in L500bn Ambroveneto buy

The charitable foundation which controls Cariplo, Italy's largest savings bank, yesterday agreed to acquire a 12.7 per cent stake in Banco Ambrosiano Veneto (Ambroveneto), worth about L500bn (\$270m), from Cariverona, the Verona savings bank.

The deal is a first step towards the planned merger of Cariplo and Ambroveneto, which will create one of the largest banking groups in Italy. It is also expected to accelerate negotiations between Cariplo and Ambroveneto on the framework of their strategic partnership. These are now likely to be completed by the end of July, when the two banks are expected to sign a formal agreement to establish a new holding company. This will control the banking activities of both Cariplo and Ambroveneto. The two groups also plan to float 30 per cent of the new holding on the stock market.

Paul Bates, Milan

Crédit Lyonnais shares soar

Shares in Crédit Lyonnais, the state-owned banking group, reached a peak for the year during trading yesterday at FFr317 on the back of reports of improved profitability for 1997.

Crédit Lyonnais is expected to increase operating profits significantly in 1997 over the FFr4.5bn (\$773m) achieved in 1996, in the wake of cost-cutting and improved business prospects. However, the French newspaper La Tribune suggested that the bank would report net profits of more than FFr2bn ahead of a special dividend to the French government negotiated in its rescue package, which would reduce the final profits to FFr1.5bn.

Andrew Jack, Paris

Hungarian oil stake sold

MB Petroleum Services, an Omani-registered company, has submitted the winning bid for a 50 per cent stake in the Hungarian oil company Szolnoki Kőolajkutató Rt (Szolnok Oil Research), APV, the Hungarian privatisation agency, announced yesterday. MB Petroleum offered \$4.45bn, or 97 per cent of nominal value, for the stake and has 30 days to finalise the deal. APV officials gave no information on the Omani company.

This is the third attempt at privatising Szolnok Oil, and follows an aborted bid by Arhangelsk Golog, the Russian company, last year. Szolnok Oil has 800 employees and had profits of Ft200m (\$1.07m) last year on turnover of Ft8.4bn.

Kester Eddy, Budapest

Saint-Gobain sees record

Saint-Gobain, the French glass and building materials group, expects to report the best results in its history this year, according to Mr Jean-Louis Beffa, chairman.

Mr Beffa told shareholders at the company's annual meeting that the group should record 1997 net profits "significantly higher" than the FFr4.3bn (\$733m) achieved the previous year. "I can assure you that your group will produce in 1997 very clearly the best result in its history," he said. Mr Beffa said that while January and February had been bad, the company had seen a clear improvement in March which had since been confirmed. Europe in particular was showing signs of recovery, he added.

David Owen, Paris

Pechiney to absorb subsidiary

Pechiney, the French aluminium and packaging group, intends to absorb its 97.3 per cent-owned Pechiney International packaging unit by the end of this year.

The company also predicted first-half operating profits "close to" the FFr1.47bn (\$252m) posted in the same period of 1996. It said this result would be helped by a gain on April's sale of a 37.7 per cent stake in Le Carbone-Lorraine, a carbon products business. Pechiney said at the time that it expected this sale to yield a net gain of about FFr500m. It said second-half operating results should show "clear progress" from year-earlier levels.

David Owen

Argentine stake for Peugeot

Peugeot, the French carmaker, has agreed to take a minority stake in Sevel Argentina as part of its push into Latin America. The company, a division of Peugeot-Citroën, will initially take 15 per cent of Sevel, controlled by Argentina's Macri group, as part of a capital increase. It plans eventually to raise this stake to 28 per cent. The move has been widely expected since April, when Mr Jacques Calvet, Peugeot-Citroën chairman, said the group might take a small Sevel shareholding.

David Owen

Philips plans £500 CD recorder

Philips, the Dutch consumer electronics group, plans to launch an audio compact disc recorder with a retail price of about £500 (\$833m) by early next year. CD recorders have been available for some time, but until recently the prices were so high that they tended to be bought for professional use within the music industry or for computing. Prices have fallen dramatically in recent months, and it is now possible to buy basic recorders for as little as \$500 in the US, and about £500 in the UK.

Alice Rausthorpe

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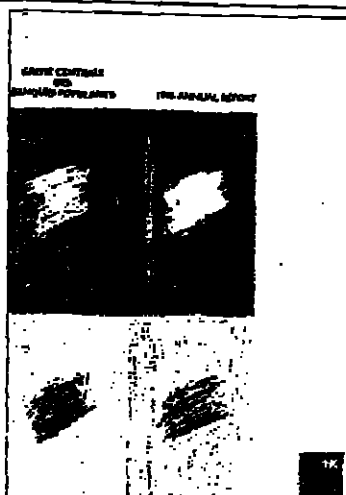
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CAISSE CENTRALE DES BANQUES POPULAIRES

Caisse Centrale des Banques Populaires, the central banking, financial and technical support arm of France's Banques Populaires Group, has diversified expertise in the areas of banking and finance. It is also a network of specialized subsidiaries that are active players in their markets. The Caisse Centrale provides services primarily in four areas: financing and corporate services, capital markets, asset management, and services for banks and financial institutions. A driving force in the market for the French banking industry, the Caisse Centrale puts its expertise to work for the individual Banques Populaires and for its clientele of corporations, financial institutions, and institutional investors.

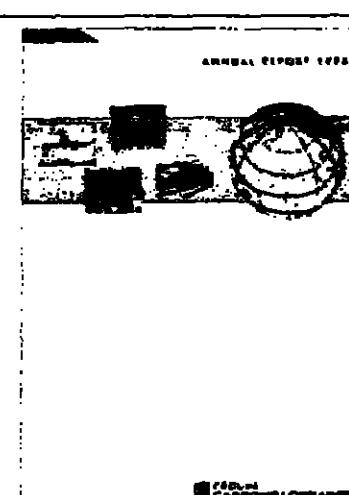


CAISSE DES DÉPÔTS ET CONSIGNATIONS

1996 consolidated net income doubles.

Solid performance in market-driven activities; CDC Marchés turns in strong results in capital markets; CNP reinforces its leadership in life insurance; CGD confirms its profitability. Renewed support to France's general interest programs: savings funds, management and public housing financing, urban and rural development support, administration of public retirement programs, equity financing in medium-sized companies.

Caisse des Dépôts Group consolidated balance sheet total: FF 842.7 billion
Consolidated net income, Group share: FF 4.0 billion
Chief Executive Officer: Philippe Leguayette



CARBONE LORRAINE

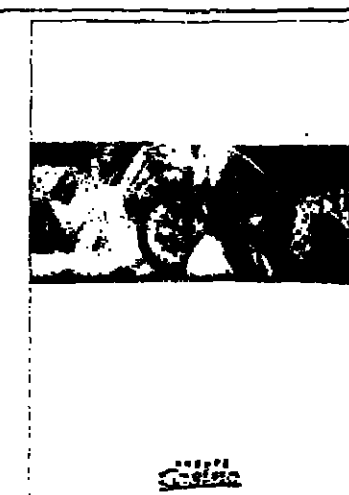
Carbone Lorraine is an industrial group specialized in electrical components, brushes for electric motors, permanent magnets and electronic protection. It has also developed a graphite specialty activity.

1999 was marked by:

- a strong growth in turnover (+20% to 7.1 billion FRF) and a significant improvement in the operating income (+54%)
- a considerable increase in the share price (+50%, a capital gain of over 2.5 billion FRF)

The group intends to continue to improve its production mix, reinforce its positions as leader and develop its growth potential through the geographical expansion of its sales network.

On the occasion of the 2000 AGM, the Chairman of the Board of Directors, Jean-Louis de la Sablière, said: "The 1999 figures of 7.37% stake led to an increase in shareholding owned by the public which reached 70% of the total."



CASINO GROUP

With 55,000 employees and FF 78 billion in sales, 99% of which is generated and retained, the Casino Group is a leading French player in the food industry. France, where Casino generates 90% of its sales volume, the Group has benefited from its versatility by offering consumers three store formats adapted to local needs, with 110 Food supermarkets, 467 Casino supermarkets and 2,222 Petit Casino convenience stores. Outside France, the Group is supporting development both in the U.S. with its subsidiaries Smart & Final which operate 173 cash-and-carry outlets (five of which are located in Mexico) and in Poland where the first Food supermarket was opened in November 1990. Intensive expansion is planned for the Casino Group with the scheduled opening of new supermarkets over 1997/98, two in Poland, two in Taiwan and one in Russia.



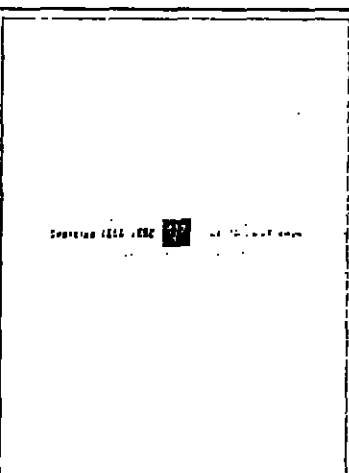
CASTORAMA

Outlook for 1997:

With its recent acquisitions in Italy and in Germany, Castorama has brought R&D-Dept., Castorama expects to achieve gross turnover of FF21.8 billion including VAT in 1997. The company continues to pursue its growth targets, and plans to open new stores in France and abroad, particularly in Poland and Brazil. Castorama expects to invest in 1997 FF 1.6 billion during 1997.

CASTORAMA - Investor Relations

50175 TEMPEMARS, TEL: 03.20.20.75.11



CLUB MÉDITERRANÉE

Club Méditerranée, the world's leading operator of vacation villages, enjoys a unique position in the tourism industry.

It has, furthermore, instituted a vast modernization program on several levels, whose objective is to improve its commercial performance, continue adapting its product to current market conditions and make its internal operations more efficient.



COFINOGA GROUP

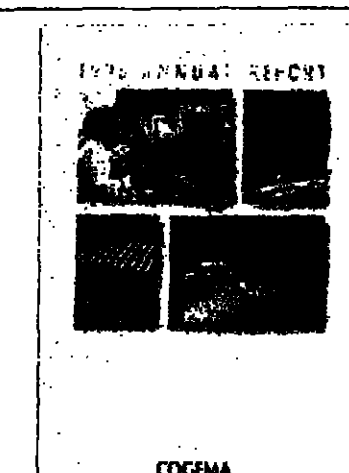
COFINOGA, which specialises in consumer credit and is the French market leader in private label cards, increased production by 25% in each of its main areas of business: cards, personal loans and instalment credit.

Financial results at December 31st, 1996 in French francs

<ul style="list-style-type: none"> ● Total funds under management: 230.6 billion (+17.9%) ● Net income: 23.8 billion (+12.2%) 	<ul style="list-style-type: none"> ● Net banking income: 2.2 billion (+27.9%) ● Net income: 6 billion (+20%) 	<ul style="list-style-type: none"> ● Interest excluding credit: 144 billion ● And 2,600 employees
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COFINOGA in 1996

- Card production increased by 22.2% and personal loans by 24.5% growth rate
- Sixteen of the POINTS Card customers are listed in the programme



COGEMA

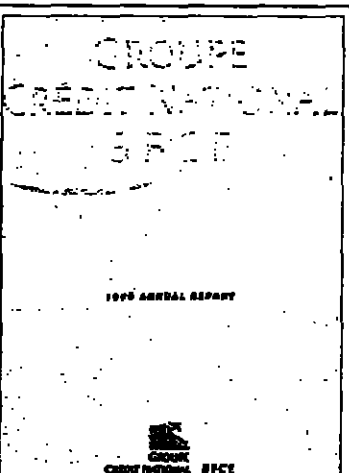
The COGEMA Group specializes in the nuclear fuel cycle: it is active throughout the world in all its aspects, from ore prospecting to spent fuel reprocessing and recycling, including all operations associated with nuclear fuel fabrication, as well as design and construction engineering for the corresponding installations. With its subsidiaries and other holdings, it has a large share of the market for producers and services connected with nuclear energy and, outside the nuclear field, produces engineering and services for other industries. The company's 1995 turnover, by research, which amounted to FRF 30.6 billion in 1995, reached FRF 34.4 billion, up 12.5%. The net result (Group share) amounted to FRF 977 million, a stable figure comparable to the previous financial year.



COLAS

The world's leading road construction and maintenance company in 1996, the slowdown recorded on the French market place was countered by rapid growth and international business. With sales and revenues amounting to 19.4 billion French francs, the group's share of net profits is up 34, totalling 100 million francs for a cash flow of 1053 million francs.

Some of the highlights of 1996 are the acquisition of Screg and the reinforcement of international activity in Ireland, Germany and Hungary for a total of 8 billion francs. In 1997, the addition of 5 billion francs brought in with Screg's turnover will further strengthen Colas' business position in France, while on-going international development will allow for improved equilibrium between the two sectors. Sales and revenues are expected to total more than 25

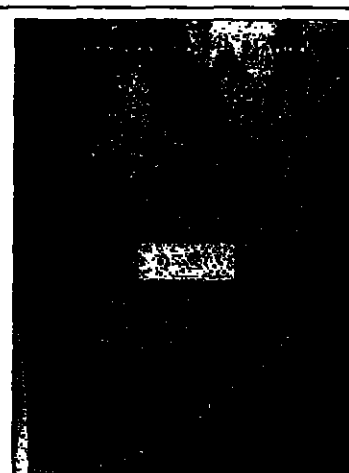


CRÉDIT NATIONAL-BCFE GROUP
(Natexis)

In 1996, a new banking group was created that resulted from the integration of Crédit National and BCFE and focuses on corporate clients. Under the name Natexis, this group now offers all the products and services required by a corporate, operating in France or internationally.

Key consolidated figures (at December 31, 1996)

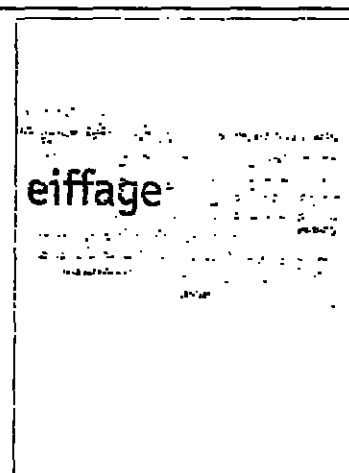
Total assets:	FRF 288 billion
Solvency ratio:	9.3%



DEXIA

Dexia, created by the merger between *Crédit local de France* and *Crédit Communal de Belgique*, is the leading European banking group specializing in the financing of public infrastructure. The group is focusing its development on the following core businesses: public infrastructure and financial services to local authorities, commercial banking and asset management. Dexia ranks among Europe's 25 leading banking institutions.

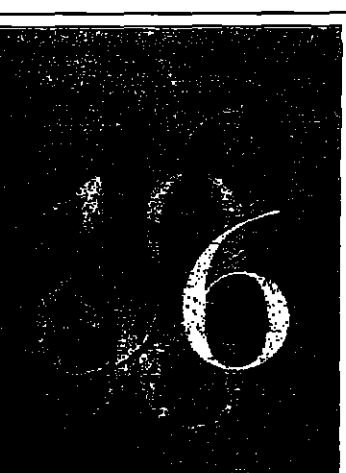
• 1996 combined net income:	FRF 3.2 billion	Euro 0.50 billion
• 1996 Total assets:	FRF 1,100 billion	Euro 172.2 billion



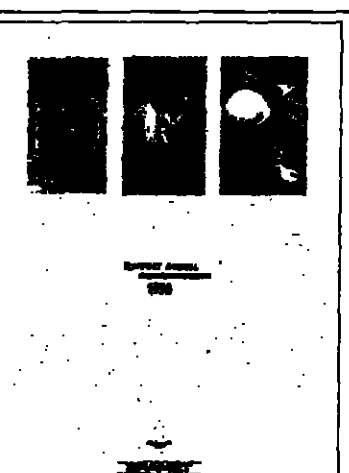
EIFEAGE

EIFEAGE ranks as the fifth European construction group and operates in 150 countries; building and civil engineering, Road Construction and Electricity through autonomous companies each acting for their own development. At the head of a network of more than 700 subsidiaries, particularly dense in France, present also in Europe and especially in Belgium, EIFEAGE confirms its position internationally with a number of building projects mainly in South and East Asia (Indonesia, China, Myanmar) in the Near and Middle-East (Turkey and Egypt) and in Africa (Nigeria and Senegal).

- Consolidated turnover FF 33,700 million
- Total staff: 44,627



EMC GROUP
EMC is an agro-chemical group.
It has three main activities with:
Chemicals, with organic, inorganic and fine chemical specialty products
Animal feed and health
Pest and fertilizing specialty products
Industry of environment and hazardous industrial wastes treatment
To complete the Group's activities,
Consolidated 1996 Sales: 18 billion French Francs
Chairman of the Executive Board: Bernard Pache
Joint subsidiaries: Tessenderlo Chemie, Sanders, TREDI, SPICA.



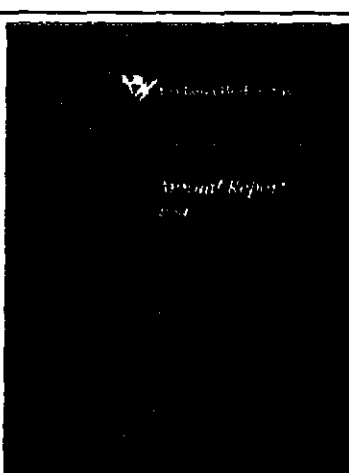
ERAMET GROUP

Eramet, a French mining and metallurgical group, operates on international markets in 3 activities:

- Nickel** with its large deposits in New Caledonia. Eramet is the western world's 3rd largest nickel producer and the world's largest producer of ferro-nickel.
- High speed steels**: three high value-added special steels are used in the manufacture of cutting tools. Eramet is the world leader in this activity.
- Manganese**: through its 46% shareholding in Comilog (61% in July 1997), Eramet is one of the world's 5 major producers of manganese.

After 2 years of vigorous growth, Eramet's strong assets allow consolidated turnover reaching FRF 3.9 billion in 1996, according to Comilog.

Eramet's strategy is to develop its 3 activities by applying its know-how in 4 areas: mining, metallurgical production, worldwide marketing of industrial products, and

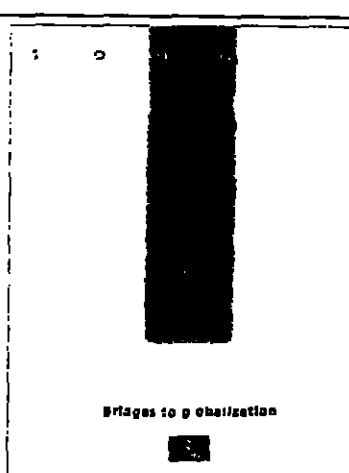


ERIDANIA BÉGHIN-SAY

Thanks to the systematic research of new industrial outlets for agricultural products and to the permanent development of quality, the Group transforms the earth's bounty into the ingredients of life. It holds leadership positions which place it among the major players in the world's food industry. In 1996, Eridania Béghin-Say boosted consolidated net sales of approximately FF 55 billion, with staff totaling 19,400 people, in more than 25 countries.

(FRF million)	1996
Net Sales	54,978
Operating Income	3,752
Net Income Group Share	1,660

Chairman and Chief Executive Officer: Jean-Louis Bédouin



ESSILOR

Essilor is the world leader in corrective lenses, generating four-fifths of total sales outside France, its country of origin. The Group is also active in contact lenses, instruments for opticians and eyeglass frames.

1996 Financial Highlights (FRF million)

Sales	7,845	+ 20%
Operating income	981	+ 13%
Net income	532	+ 7%

Chairman and Chief Executive Officer: Xavier FONTANET
Chief Operating Officer: Philippe ALFROYD

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COMPANIES AND FINANCE: EUROPE

Both sides win in German digital TV deal

Compromise ends a year of bickering between Kirch and CLT-Ufa, writes Frederick Stüdemann

The world of German television proved this week that events behind the scenes are often more gripping than those displayed on screen.

The country's two biggest commercial television companies, KirchGroup and CLT-Ufa, finally reached a compromise last Sunday over the development of digital pay-TV.

The deal, which is subject to regulatory approval, marks a possible end to an expensive year of bickering between KirchGroup, run by media magnate Mr Leo Kirch, and CLT-Ufa, which is 50 per cent owned by media group Bertelsmann, as both sought to grab pole position in the new frontier of broadcasting.

Under the terms of the deal, which was brokered by politicians from the states of Bavaria and North-Rhine Westphalia - two of the leading media locations in Germany - Kirch and CLT-Ufa will develop digital pay-TV around Premiere, an analogue subscription channel in which both have stakes but where CLT-Ufa has management control.

Kirch will supply Premiere, which will move over to digital, with popular US films and television programmes. In return, Premiere's 1.5m subscribers mean that Kirch can meet subscriber number guarantees given to Hollywood studios in a DM100m (\$5.8bn) rights spree last year, which will give Kirch the rights to 80 per cent of US movies, beginning in 1998.

In a third important element of the deal, Kirch and CLT-Ufa also agreed to allow Deutsche Telekom, the partially-privatised telecoms company, to administer the decoder technology required for the reception of digitally-transmitted signals.

The deal appears an ideal compromise. According to Mr Friedrich Schellmoser, media analyst at Hypo Bank, it offers all parties something: "Everyone is a winner."

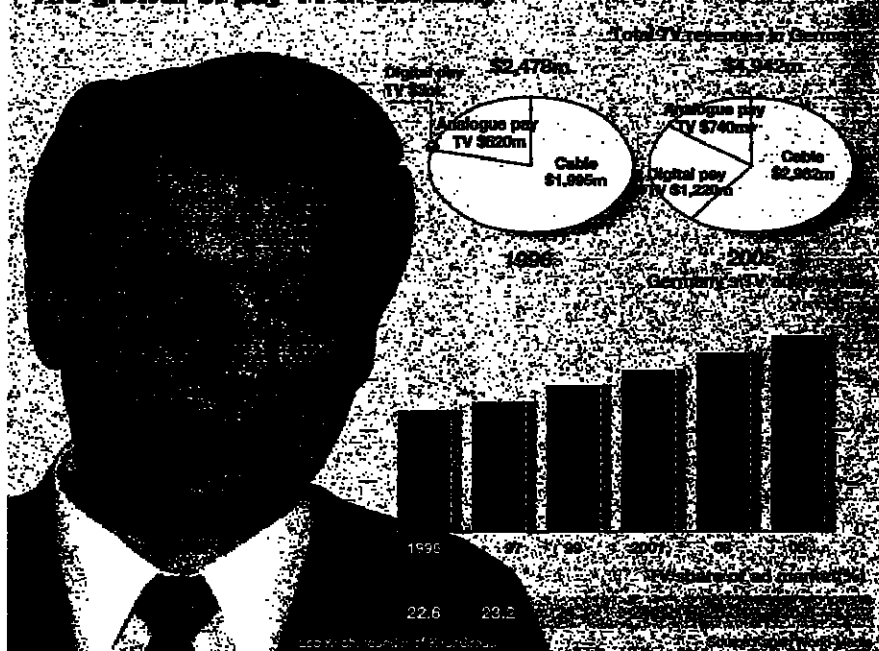
For Kirch particularly, the deal offers a welcome respite to growing financial pressures on the privately-held company. In addition to the spending commitments made to Hollywood, Kirch spent heavily to launch DF-1, a digital pay-TV network, investing in decoder technology and placing orders for "d-box" decoders.

But DF-1 has so far proved a flop, attracting only 30,000 subscribers. According to Mr Jan Mojto, a Kirch board member, DF-1 is costing the company about DM1bn a year.

Attempts to spread the burden by attracting an outside investor in the form of British Sky Broadcasting, or through further bank loans, have also failed.

CLT-Ufa may not be facing such immediate financial problems, but it too needed to reach a deal to save its interest in Premiere, where it holds a 37.5 per cent stake. Over the past year Premiere has been growing robustly, but the medium-term future for the network looks more

The growth of pay-TV in Germany



worrisome. The rights to key sporting events, such as German league football, are coming up for renegotiation at the same time as Kirch's lock on US movies is due to take hold.

The deal also makes clear where the talents lie in German broadcasting. Kirch, which has a background in programme distribution, has proved less able in the more cumbersome business of running a network.

This is especially true for pay-TV, which involves managing millions of subscribers and which is one of core

competencies of Bertelsmann, which made its fortune in the 1950s in book clubs.

As Mr Michael Dornemann, head of Bertelsmann's entertainment division (in which the company's CLT-Ufa stake is grouped) points out, it was not for nothing that the company chose Mr Bernd Kundrum, who came from the book clubs, to head Premiere.

Outside Germany, last Sunday's deal could produce a significant shift in the Italian pay-TV market. To realise their ambitions for Premiere, Kirch and CLT-Ufa will have to buy out the

third shareholder, the French group Canal Plus, which holds a 37.5 per cent stake.

Many believe this will probably be achieved by Canal Plus taking all or part of Kirch's stake in Telepiu, an Italian pay-TV network in which both companies currently own 45 per cent.

For Mr Dornemann, the digital pay-TV deal is just part of his efforts to bring clarity to CLT-Ufa's German television interests as a whole.

"The market is clogged up at the moment. We need to see clarity," says Mr Dornemann.

His particular concern now is free-TV, which dominates the German market, offering viewers about 30 different channels. Even with a solution in digital pay-TV, Mr Dornemann says free-TV will continue to account for the bulk of business over the next 10 years.

CLT-Ufa's free-TV activities in Germany are both a source of strength and confusion. The RTL channel, in which the group has an 89 per cent stake, is Germany's biggest network in terms of audience share, and accounts for roughly 10 per cent of all CLT-Ufa's revenue. But the group also holds stakes of less than 50 per cent in a series of junior channels - RTL2, Super RTL and Vox.

Ideally, CLT-Ufa would like to bring these smaller channels closer to the main RTL network to create a "broadcasting family".

Mr Helmut Thoma, chief executive of RTL, says that such an arrangement would not only generate significant cost savings, but would also allow programming to be planned across networks.

While CLT-Ufa's ambitions are clear, realising them has proved difficult. The other shareholders in the smaller RTL channels, which include Disney and TeleMünchen, have made any sale of their shares conditional on prices or conditions - such as equity stakes in the main holding company - which CLT-Ufa says are unacceptable.

Lower financial costs help Danisco advance 12%

By Hilary Barnes in Copenhagen

Annual pre-tax profits at Danisco, the Danish food and beverages packaging group, advanced 12 per cent from DKr1.61m last time to DKr1.78m (\$71m) in the year ending March 31, as net financial costs declined and operating profits climbed.

Operating profits were ahead 9 per cent from DKr1.79bn to DKr1.95bn on sales up 5 per cent from DKr16.18bn to DKr17.02bn, of

which some 72 per cent came from outside Denmark.

Redemption of a convertible bond last year was the main factor behind a reduction in net financial costs from DKr192m to DKr163m.

The performance was in line with expectations, but the share price ended the day at DKr430, a fall of DKr11. Analysts blamed the slip on the group's forecast that profits will grow more slowly this year.

The board proposed an increase

in the dividend of 19 per cent, to DKr5 a share.

Last year was the final one under the management of Mr Pelle Marcus, in charge of the group since it was formed by the merger of Danish Sugar, Danish Spirits and Danisco in 1989. He was succeeded on May 1 by Mr Alf Duch-Pedersen, formerly chief executive of insurance group Tryg-Baltica.

Sales and operating earnings in the group's largest sector, beet sugar production, in Denmark,

Sweden and Germany, increased 2 per cent with sales up to DKr6.41bn and profits to DKr98m.

Production increased from 922,000 tonnes to 1,04m tonnes. Results in the current year are expected to be in line with last year.

The packaging sector's sales rose 5 per cent to DKr6.23bn and operating profits rose 4 per cent to DKr65m.

The food ingredients division, which produces enzymes and flavourings for the food industry, was the year's strongest performer,

with sales ahead 12 per cent to DKr2.68bn and operating profits ahead 20 per cent to DKr428m. A further "considerable improvement" is expected this year.

At the food and beverages division, which includes snacks, frozen vegetables and production of akavit, the Danish national spirit drink, sales were ahead 5 per cent to DKr2.81bn and operating profits ahead 4 per cent to DKr208m. Competition was intense, particularly in Germany.

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Invitation to participate in wireless spectrum auctions



Comisión Federal de Telecomunicaciones de México

The Government of the United States of Mexico, advised by J.P. Morgan Securities Inc., is seeking national and international investors to participate in wireless spectrum auctions for Personal Communications Services (PCS) and Wireless Local Loop (WLL). The auctions are organized by Mexico's Comisión Federal de Telecomunicaciones (COFETEL) and will be conducted through simultaneous multiple rounds. COFETEL calls upon interested parties to begin the qualification process for the auctions. Interested parties will receive an information package, may conduct on-site due diligence and may bid in the auctions. COFETEL is the Mexican Federal Telecommunications Commission, regulating all issues pertaining to telecommunications in Mexico and is responsible for administering and managing the electromagnetic spectrum.

Personal Communications Services (PCS) and Wireless Local Loop (WLL) Auctions
Available frequencies: 1850-1990 Mhz, 3.4-3.7 Ghz, 440-450 and 485-495 Mhz
Key dates: Auction terms published June 30, 1997; Bidders submit qualification documents September 17-19; Bidders notified of qualification October 6, 1997; Auctions begin October 20, 1997.

The attention of interested parties is drawn to the following features of the auctions:

- Interested parties must register their interest with COFETEL at Bosque de Radiatus #44, Bosques de las Lomas, Mexico, D.F. C.P. 05120 Telephone: (525) 261-4150, (525) 261-4154 Facsimile: (525) 261-4169
- Bidders must fill out a qualifications form provided by COFETEL and submit a minimal bid bond, based on the number and type of licenses for intended bid
- International investors can participate on the terms established by the Federal Telecommunications Law of 1995

Parties interested in participating in the auctions should make a written request for information to:

J.P. Morgan Securities Inc.
Attn: Philip Weymouth, Vice President
60 Wall Street, New York, NY 10260-0060
Facsimile: (212) 648-3218

Notice to the Bondholders of
Finance One Public Company Limited -
Subordinated Convertible Bonds
US\$75,000,000 - 5.75% due 2003 (ECD-I)
US\$120,000,000 - 2% due 31.8.2001 (ECD-II)
("The Company" and "The Bonds" respectively)

NOTICE IS HEREBY GIVEN to the holders of the outstanding Bonds of Finance One Public Company Limited ("the Company"), in accordance with the terms and conditions of the Bonds, the Company has offered a rights issue (828,238,784 ordinary shares with par value of Bahr 10.00) to shareholders whose names appeared on the share registration book on 9th June, 1997 at the ratio of 2 new shares for 1 existing share at the price of Bahr 7.50 per share.

As a result of the rights issue, the conversion price of the Bonds has been adjusted as follows with effect from 4th June 1997: ECD-I has been adjusted from Bahr 56.30038 to Bahr 25.58699 and ECD-II has been adjusted from Bahr 178.20 to Bahr 80.98705.

Finance One Public Company Limited
June 26, 1997

CITIBANK

Mauritius
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BANQUE NATIONALE DE PARIS
Programme for the Issuance of Debt Instruments
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Notes due 2006
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Notice is hereby given that the rate of interest for the period from June 24, 1997 to September 23, 1997 has been fixed at 6.03125 per cent per annum. The coupon amount due for this period is USD 152.46 per denomination of USD 10,000 and USD 1,524.57 per denomination of USD 100,000 and is payable on the interest payment date September 23, 1997.

The Fiscal Agent
BNP
Paris, France

Commerce Asset-Holding Berhad
(Company No. 50841-W)
(Incorporated in Malaysia)

Notice to the Holders of USD100,000,000 1.75 Per Cent Unsecured Convertible Bonds Due 2004 (the "Bonds") of Commerce Asset-Holding Berhad ("CAHB") and the "Company"

Adjustment of Conversion Price

Following the announcement by the Company on 6 December 1996, notice is hereby given that following the bonus issue of 319,285,250 new ordinary shares of RM1.00 each in CAHB on the basis of one (1) new ordinary share for every one (1) existing ordinary share held in CAHB as at 4 June 1997 ("Bonus Issue"), the Conversion Price of the Bonds has, in accordance with the Trust Deed dated 28 September 1994 constituting the Bonds, been adjusted from RM13.80 per share to RM6.78 per share with effect from 16 June 1997.

Notice is further given that as a result of:

- the rights issue of 129,989,880 new ordinary shares of RM1.00 each in CAHB at an issue price of RM6.50 per share on the basis of one (1) new ordinary share for every five (5) ordinary shares held in CAHB at 6:00 pm on 4 June 1997 ("Rights Issue"), and
- the offer for sale by CIMB Securities Sdn. Bhd. of 81,281,176 Warrants 1997/2002 to the shareholders of CAHB at an offer price of 180 sen per Warrant 1997/2002 on the basis of one (1) Warrant 1997/2002 for every eight (8) ordinary shares of RM1.00 held in CAHB at 6:00 pm on 4 June 1997 ("Offer for Sale of Warrants 1997/2002"), each Warrant 1997/2002 entitling the holder to subscribe for one (1) new ordinary share of RM1.00 each in CAHB at a subscription price of RM7.45 per share between 17 June 1997 and 16 March 2002;

a further adjustment from RM6.78 per share to RM6.50 per share will take effect from 6 August 1997.

Commerce Asset-Holding Berhad

digital TV deal
Frederick Stüdem

Financial Times Annual Report Panel Service



EURISYS GROUP

In France and around the world, the Eurisys Group continues to help clients optimize their plant life cycle costs and outpace change by providing customers with engineering solutions and support services. The Group's strength in Engineering, Maintenance, Mechanical Systems, Support Services, Information Systems, Consulting and Nuclear Measurement enable it to cover each stage in the plant life cycle. In 1996, the Eurisys Group had consolidated sales of around FF 6 billion, and net income of FF 158 million.



GTM-ENTREPOSE

GTM-ENTREPOSE is a diversified construction and related services group involved in design work, construction, and management services for industry and local authorities. With operations in over 90 countries, GTM-ENTREPOSE now generates 40% of sales outside France and is continuing with its drive for international expansion. Apart from the building and public works sector which accounts for half its turnover, GTM-ENTREPOSE is a leader in engineering consultancy, roadbuilding, industrial projects, electrical construction and offshore activities, and has developed a substantial business in transport infrastructure concessions. Chairman of the board and Chief Executive Officer: Jean-Louis BRAULT. Key figures: Turnover 1996: FRF 43.5 billion. Staff: 67,400. <http://www.gtm-entrepose.com>



HAVAS

Havas was created in 1835 and is now the world's fifth media and communications group. Present in over fifty countries, Havas operates through five divisions: Audiovisual (Canal+, CLT-LFA, Havas Intermediation), Communications consultancy (Havas Advertising), Information and Publishing (CEP Communication), Local media (Havas Media Communication) and Travel and Leisure (Havas Tourisme). 1996 consolidated highlights in FF millions:

Revenue	48,347	1996/1995 change
Income from operations before taxes	2,072	+3.1%
Non-operating income before taxes	246	on
Net income, group share	1,217	+9.4%



IMS

IMS is a federation of national companies organized on a human scale which comprises 23 subsidiaries and 55 operating centres in 12 European countries. The Group has developed specializations on specific markets and is represented in all major European industrial centres. As a European technical distribution group, IMS sells, in some fifty countries, special metallurgical products for the anti-abrasion, anti-corrosion and engineering markets. Its products offering in France includes semi-finished plastic products. With a workforce of nearly 1,300 persons, IMS recorded in 1996, a turnover of FRF 2.8 billion and FRF 115 million of net income. IMS: 38, rue du Pout, 92522 Neuilly-sur-Seine Cedex - France. Tel: (33-1) 41 92 94 44. Fax: (33-1) 42 24 85 96. Internet: <http://www.ims-group.com>



LAFARGE

Lafarge is one of the world's foremost producers of building materials. The Group holds leading positions in each of its core business areas: cement, concrete and aggregates, gypsum and specialty products. Active in 45 countries and employing over 35,000 people generating sales of FRF 35 billion, Lafarge is committed to the development of materials and the advancement of the construction industry by bringing greater safety, comfort and aesthetic appeal to our everyday lives. **LAFARGE, MATERIALS FOR BUILDING OUR WORLD**



LECTRA SYSTÈMES

Set up in 1973 and publicly traded on the Second Marché of the French Stock Exchange, the Lectra Systèmes technology group is one of the world's two leading manufacturers of Computer Aided Design and Manufacturing (CAD/CAM) systems for the industries that transform fabrics, leather and technical textiles, notably those in apparel, footwear, luggage, leather goods, upholstery, automobile and aeronautical industries. Employing 1,250 people worldwide, Lectra Systèmes earns 85% of its revenue - totaling FRF 928 million in 1996 - outside France, with 6,200 customers, 20,000 installed systems and 70,000 trained users spread over 80 countries. 1996 was a year of investment which enabled Lectra Systèmes to move into 1997 with an entirely renewed product range, a dominant position in its new market sectors and a reinforced worldwide presence based on its sales and service network of 32 subsidiaries.



MECATHERM

1996 turnover of MECATHERM showed an increase of 50.3% at FRF 302.4 million with 78.4% made on export. The net income showed an increase of 47.3% at FRF 42.7 million. MECATHERM reinforces its worldwide leadership in designing and providing industrial equipment for bread production. After a 340% growth in 1995 and 70% in 1996, the share price went up 30% during the first 4 months of 1997. The Chairman, René VOEGTLIN, forecasts a 1997 turnover of around FRF 365 million and a net income above FRF 50 million.



NORBERT DENTRESSANGLE

Norbert Dentressangle is a European transport and logistics services group. Total 1996 payroll showed 5,100 employees. Norbert Dentressangle operates a fleet of 3,200 vehicles, and a warehousing area of 450,000 sq. m. The Group's structure is divided into 3 activities: transport on the one hand and warehousing and distribution on the other hand. With an international network of 75 offices (63 in France, 6 in the UK, 1 in Italy, 3 in Spain, 1 in the Benelux area and 1 in Portugal), Norbert Dentressangle Group is today considered a major operator in the European market of logistics services. 1996 consolidated key figures: Turnover: 2,785.2 MF. Net Results: 77.5 MF.



PINAULT - PRINTEMPS - REDOUTE

Pinault-Printemps-Redoute is a leading multi-line distribution specialist in France and across Europe. The PPR share ranks fifth on the Paris Bourse in terms of capitalization. The Group is structured in four operating divisions - Retail, Wholesale, International Trade and Financial Services. The central two-fold strategy of the Group is to marry growth and improve profitability in each of its businesses. In 1996, the Group continued to invest in its future development without undermining its sound financial position. 1996 consolidated information: Sales: FRF 80,394 million. Operating Income: FRF 3,540 million. Net income for the year: FRF 2,065 million. Chairman of the Management Board: Serge Weisberg.



PLASTIC OMNIUM

Fifty years after its foundation in Paris in 1947, Plastic Omnium is a European leader in the manufacture of engineered plastic products, with operations in four core businesses:

- Automotive components: bumpers, instrument panels and fuel systems
- Municipal equipment and services in the environmental and leisure fields
- Performance Plastics Products - 3P
- Plastic components for the medical and pharmaceutical industries.

1996 Highlights

- Consolidated turnover: 7,224 million French francs, of which 51% is from outside France
- 8,700 employees
- 50 factories worldwide, with facilities in 20 countries on four continents

Chairman and Managing Director: Jean Borelle. *Investments in France*



PRIMAGAZ GROUP

The development strategy followed by the Primagaz Group over several years has made them today the European leader in liquid petroleum gas (LPG). In the 14 countries where it has business activities, the Primagaz Group controls 21% of the distribution of LPG. It services 13 million homes and businesses in Europe and around the Mediterranean basin. The group intends to develop its activities in new countries, keeping such external growth under control as experienced in previous years. Key figures (in millions of francs):

1996	1997	
Turnover	9271	7376
Shareholder equity, group share	4057	3807
Net profit, group share	371	334

President: M. Jean-Charles INGLESSI



PROMODÈS

Measured by the sales generated through its trading network, (FRF 168 billion in 1996, 5.2% increase over 1995 - USD 34 billion), the Promodès Group ranks among Europe's ten leaders in its business sector. Its determined growth strategy has targeted diversification into various segments of the retail food trade: *Hypermarkets* - *Continents*, *Continents Supermarkets* - *Champion* - *limited assortment discount stores* - *Dia* - *Convenience Stores* - *Simple Cadeaux*, *R&H*, *Food - Cash & Carry* and institutional wholesaler: *Promocash*, *Pantocash*, *Proffrest*. The rapid growth of the Group's domestic business has been accompanied by expansion into foreign markets. In particular, Spain, Greece, Italy, Portugal, Belgium, Turkey and Argentina (in 1997). Promodès WEB SITE: <http://www.promodes.fr>



PSA PEUGEOT CITROËN IN 1996

In 1996, the PSA Peugeot Citroën group confirmed its position as the third largest European car manufacturer on the passenger car market and became the European leader on the light commercial vehicle market. This year, the Peugeot and Citroën car ranges were extended to include the new Citroën Saxo, the new Peugeot 106, the Peugeot 406 station wagon, the new V6 engine, the Citroën Berlingo and the Peugeot Partner. In 1996, PSA Peugeot Citroën was once again the leading French exporter, with exports accounting for 80.6 billion French francs of total sales. Total group sales rose by 5.2% to 172.7 billion FF with worldwide sales reaching 2 billion cars. Group net profit amounted to 734 million FF. Its financial position was strengthened, a surplus in working capital provided from operations was raised and debt was reduced.



SANOFI

In 1996, Sanofi registered major successes in the clinical development of new products whilst ensuring sales and earnings growth. Consolidated net income for the year totalled FRF 1,743 billion, up by 11% over the previous year. Once again, sales of Sanofi's major international pharmaceutical products increased during the year. Sanofi continued its Research and Development efforts and successfully concluded clinical trials on two major compounds. In the Beauty sector, the second half of the year was satisfactory within a business environment which remains challenging. The Healthcare sector grew by 5% to FRF 19.8 billion at constant exchange rates and comparable Group structure. With no significant launches during the year, the Beauty sector posted sales of FRF 3.8 billion.



SCHLUMBERGER

An international company providing products and services in two areas:

- Oilfield Services, offer to oil companies services to enhance their efficiency in all phases of exploration and production of oil and gas reservoirs.
- Measurement and Systems, world leader in manufacturing of water, gas and electricity meters, also provide systems and services for automatic payments and automatic test equipment systems for electronic components.

1996 key figures (\$ millions)

Operating revenue	8956
Net income	851



SCHNEIDER

After the disposal of Spie Batignolles in February 1997, Schneider refocused its activities in the businesses of electrical distribution, industrial control and automation. These activities are under the authority of SCHNEIDER ELECTRIC which comprises 4 large international brands: MERLIN-GERIN, MODICON, SQUARE D, TELEMECANIQUE. The 1996 consolidated sales (including SPIE BATIGNOLLES) rose to 61.6 billion francs and the net result of the group was 1.32 billion francs. Chairman and Chief Executive Officer: Didier PINEAU-VALENCIENNE.

The Financial Times Annual Report Panel Service is appearing on 24, 25, 26 & June 27 1997

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Notice of Early Redemption

To the holders of
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(the "Bonds")

At the meeting of the holders of the Bonds (the "Bondholders") held on 25th February 1997, the Extraordinary Resolution set out in the Notice of Meeting dated 3rd February 1997 was duly passed. John Mowlem & Company PLC (the "Company"), Mowlem Technology Limited, SCB Group plc and The Prudential Assurance Company Limited (the "Trustees") have accordingly executed a supplemental trust deed dated 10th March 1997 (the "Supplemental Trust Deed") which, inter alia, amends the Trust Deed dated 27th May 1988 constituting the Bonds (the "Principal Trust Deed") and the Conditions of the Bonds in accordance with paragraphs 1 and 2 of such Extraordinary Resolution and provides for the release of the guarantees referred to in paragraph 4 of such Extraordinary Resolution.

NOTICE IS HEREBY GIVEN, pursuant to Condition 5(AA) of the Bonds (as inserted by the Supplemental Trust Deed), that an SCB Disposal (as defined in the Principal Trust Deed as amended by the Supplemental Trust Deed) occurred on Wednesday, 26th June 1997 and that all of the Bonds are being redeemed in full by the Company on Thursday, 26th June 1997 (the "Redemption Date") in accordance with Condition 5(AA) of the Bonds (as so inserted).

The price at which the Bonds are being redeemed, calculated in accordance with Condition 5(AA) of the Bonds and expressed as a percentage, is 113.831 per cent. The Bonds are being redeemed together with accrued interest to the Redemption Date. Payment of principal and interest will be made, at the option of the holder, by sterling cheque drawn on, or by transfer to a sterling account maintained by the payee with a branch of a clearing bank in the City of London. Payment will be made against presentation and surrender of the Bonds, together with all Coupons appertaining thereto which mature on or after the Redemption Date, at the offices of the Paying Agents listed below. If any such surrendered Coupon is not so surrendered, the amount of such Coupon will be deducted from the sum due for payment. Interest on the Bonds will cease to accrue on and from the Redemption Date.

PRINCIPAL PAYING AGENT

Kreditbank S.A., Luxembourg
43 Boulevard Royal
Luxembourg L-2556

PAYING AGENTS

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Arenburgstraat 7
B-1000 Brussels

Kreditbank N.V., 7th Floor, Exchange House
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London EC2A 2JQ

Given by John Mowlem & Company PLC. Dated 26th June 1997



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FT Surveys

COMPANIES AND FINANCE: THE AMERICAS

Fast-food group to revamp

By Richard Waters
in New York

Boston Chicken, a company that sprung to prominence in the early 1990s by bringing healthy, home-style cooking to the US fast-food business, retined in its expansion plans yesterday and owned up to some of the mistakes that have seen its spectacular growth fizzle.

The company was one of Wall Street's most successful new arrivals of the decade. Its formula of roast chicken and ham, served with side orders of spinach and other vegetables, appealed to an ageing Baby Boomer generation which was increasingly health-conscious.

That helped fuel a rapid

rise in its shares, from the \$10 at which they were first sold in 1993 to more than \$40 at the end of last year.

Yesterday, however, Boston Chicken said it would put the brakes on its expansion plans and revise its marketing in an attempt to boost flagging sales at its existing stores.

Concern this year over the company's growing pains have sent its shares tumbling, leaving them yesterday afternoon at \$15.4 and valuing the company at \$1bn.

Boston Chicken grew from 83 stores at the end of 1991 to 1,159 in April this year, and had been planning to continue to open 300 outlets a year.

Mr Scott Beck, chairman and chief executive, said yesterday the number of new stores would be scaled back to 150-200 this year, and 150-250 in 1998.

This would allow its franchisees "better to focus on achieving maximum productivity from the existing stores and on ensuring a great customer experience," he said. The company has faced criticism about food quality flagging and slow service in some quarters.

Mr Mark Stephens, chief financial officer, added that Boston Chicken would reduce its use of coupons to attract new customers at lunchtimes, and instead refocus on promoting its dinner menu. The company's

aggressive use of coupons backfired as customers used them to get discounts in the evening instead.

Mr Stephens added that store sales were likely to be "choppy" during this "transition period," and that the company was "indeed seeing sales weakness this quarter."

Boston Chicken has come in for criticism on Wall Street for extending low-interest loans to franchisees to enable them to open new stores; and for not recording losses from these operators, which now total more than \$550m, in its own accounts.

"Although we've gotten a little off track, our long-term strategy is right on target," Mr Stephens said.

Andersen: a partnership under strain

The failure of Andersen Worldwide's 2,700 partners to back their board over the election of a new chief executive - for the second time in a month - exposes the problems of running a firm rather than a company.

As the members of the board fly back to New York today for a meeting to try to find a way out of the mess created by their democratic constitution, they must wish they could simply impose a solution from the top.

But partners - who in effect own the organisation - demand the kind of control that has led to the present impasse - compounded yesterday when Mr George Shaheen, head of Andersen Consulting and the board's nominee as chief executive, failed to win the election. And Andersen's US roots appear to have given it a particularly inflexible democratic framework.

The failure to back the board also reveals just how deep are the tribal cultures that now separate the two firms under the Andersen

umbrella - the "senior" accountancy arm, Arthur Andersen, founded in 1913, and the "junior" wing, Andersen Consulting, spun off in 1989.

Requiring two-thirds of all the partners to give a "super-majority" to the new chief executive is onerous enough - but getting a two-thirds majority when 1,000 partners are from the consulting side and 1,700 from accounting appears nearly impossible.

This failure must signal that neither firm feels confident putting the future of the organisation in the hands of a partner from the other side of the Andersen family - a fact that must again raise the spectre of a complete divorce.

At a meeting in Paris earlier this year, the partners tried to thrash out the problem and had seemed to make progress. Some 97 per cent voted to stay under the Andersen umbrella and looked to the new chief executive to solve the structural problems threatening unity.

These essentially stem from Andersen Consulting's runaway growth and the determination of Arthur Andersen's partners to share some of the spoils.



George Shaheen: failed to secure election as chief executive

towards the old firm. The majority on the board, for example, is firmly in favour of Arthur Andersen.

The board may well insist that the succession is a side-show - but the longer it drags on, the more likely it is to undermine Andersen's image of quiet efficiency.

Jim Kelly

AMERICAS NEWS DIGEST

Digital drops spin-off plan

Digital Equipment has cancelled the planned spin-off of its AltaVista internet software subsidiary and instead will combine the unit with other internet-related segments of its business.

The reversal reflects Digital's misgivings about losing control of a popular and high-profile product line.

AltaVista is best known for its internet search service, which is one of the busiest sites on the world wide web. "By integrating AltaVista into Digital, we're able to more effectively put our corporate assets behind the goal of becoming the world's leading provider of internet business solutions," said Mr Robert Palmer, chairman and chief executive. "It is more appropriate to take advantage of the AltaVista brand and technology as part of Digital's overall product portfolio," he said.

Louise Kehoe, San Francisco

Liposome shares plunge

The US bio-tech sector was rocked yesterday by the third high-profile drug failure in two days. Shares in Liposome Company fell 15% to \$9.4 after it said the phase 3 trial of its drug Ventos in acute respiratory distress syndrome showed no significant advantage.

On Tuesday, two other US bio-tech companies, Idec and Cambridge Neuroscience, reported that their drugs had also failed at phase 3. Phase 3 trials are the final and most expensive of clinical trials before a drug is submitted to regulators. Pharmaceuticals company statistics suggest that few drugs fail at the last hurdle.

Daniel Green, London

Cinram buys Sony operation

Canada's Cinram International, a leading independent maker of pre-recorded multimedia products, has agreed to buy the manufacturing assets of Sony's VHS video-cassette duplication operations in the UK. Terms of the deal were not disclosed.

With the acquisition, Cinram will supply most of the VHS video-cassette requirements for both Sony Music entertainment and Tri-Star Home Video in the UK. These services will be provided from Cinram's recently acquired UK subsidiary, which is soon to be expanded.

The deal, made through Cinram's UK unit, is the latest of several in Europe, where Cinram is quickly establishing video production facilities across the continent. The Canadian company last week purchased Polygram's multimedia manufacturing assets in the Netherlands for an estimated \$35m (US\$18m). Cinram will distribute Polygram products in the Netherlands.

Scott Morrison, Vancouver

Power station venture formed

Four Quebec-based groups have set up a company, known as Corporation Hydro-Energie-Que, to spearhead construction and financing of small power stations in Latin America and the Caribbean.

CHEQ's shareholders, each with a 25 per cent stake, are Hydro-Quebec, the provincial government power utility; the Fonds de Solidarité des Travailleurs du Québec, an investment fund controlled by one of Quebec's biggest trade union federations; Boralux, a private-sector group that operates eight hydro-electric stations; and Hydro-Mécanique Construction, an industrial engineering and construction group presently building a small generating station in Costa Rica. Bernard Simon, Toronto

All of these securities have been sold. This announcement appears as a matter of record only.

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COMPANIES AND FINANCE: THE AMERICAS

Netscape in intranet venture

By Louise Kehoe
in San Francisco

Netscape Communications has formed a partnership with Concentric Network, a networking services company, to offer businesses and individuals the opportunity to create private office spaces on the Internet.

The new service, to be launched in August, will enable a business to create a virtual intranet, or private network linking workers in different places, on the public Internet, simply by opening an account with Netscape.

The service will provide users with all the advantages of a private intranet, enabling them to communicate, collaborate and store information online, without

the expense and complexity of building, maintaining and managing an internal network.

Under the terms of the agreement with Concentric, Netscape will establish a new section of the Netscape web site called the Netscape Virtual Office by Concentric. This will be the gateway to private intranets with restricted access.

The security of Virtual Offices will be ensured by digital identification technology as well as by 128-bit encryption software. Users will need an Internet access account and Netscape's latest Communicator software. To create a Virtual Office, the user or office manager will simply sign up for the monthly service on the Netscape web site.

Users can specify lists of people who should be allowed access, and what types of activities are to be conducted.

"Virtual Office will give professionals, small businesses and project groups a private online presence that can be shared with co-workers or other users," said Mr Mike Homer, senior vice-president of marketing at Netscape.

"Our goal is to provide busy professionals and small businesses with affordable and easy access to everything they need to... communicate and conduct business over the Internet," said Mr Homer.

Netscape has yet to establish pricing for the Virtual Office service, but Mr Homer said it was likely to be less

than \$100 a month to establish the office, plus a monthly charge for each user. "For businesses with up to about 100 users this will be a more economical alternative to building their own networks," he said.

Virtual Office applications will include the ability to publish and organise project documents on a web server, to participate in private discussion forums, to use e-mail, and to create and manage an external Internet site.

The companies also plan to add other business applications such as accounting, calendaring, conferencing, human resource handbooks, job postings, timesheet tracking and billing and sales automation applications.

Baton passes on in Brazil

Winning CVRD auction puts Steinbruch firmly in the ascendency



If anyone personifies the new era in Brazilian corporate life ushered in by privatisation, it is Mr Benjamin Steinbruch, the man who put together the consortium that last month bought a controlling stake in Companhia Vale do Rio Doce, the world's biggest iron ore company.

Three deals in four years, all connected to privatisations, have catapulted Mr Steinbruch from being one of the heirs of a family textiles company to a leading figure in Brazilian industry.

The first step came in 1993 when Vicunha, the Steinbruch family business, took a 9.3 per cent stake in Companhia Siderurgica Nacional, Brazil's largest steelmaker, when it was privatised. Vicunha later raised its stake to 14.3 per cent and Mr Steinbruch took over the chairmanship.

Last year CSN bought 7.25 per cent of Light, the Rio de Janeiro electricity distributor, and Mr Steinbruch became chairman of the board.

Now CVRD, Brazil's biggest exporter and once the most attractive of state-owned companies, has come into his ambit. His consortium, Valepar, paid R\$3.34bn (US\$3.1bn) for the stake in the iron ore group, in Latin America's biggest privatisation.

It is perhaps symbolic that in winning the CVRD auction, Mr Steinbruch defeated a consortium spearheaded by Mr Antonio Ermirio de Moraes, chairman of Grupo Votorantim, Brazil's largest family company.

Mr Ermirio de Moraes is something of a father figure of Brazilian business. But he built his industrial empire in an era of protected domestic markets, state involvement and limited foreign competition. "It is almost like passing on the baton to a new generation," says a Brazilian banker.

CSN owns only about 10 per cent of the shares in its latest purchase. However, as with CSN, CVRD's shareholder structure gives Mr Steinbruch more influence than this holding implies.

The other members of Valepar are all financial investors - four Brazilian pension funds, NationsBank



Benjamin Steinbruch: insists that 'we are not looking to do anything abrupt or to break up CVRD'

of the US and an investment fund, specially set up by Opportunity Asset Management in São Paulo - leaving CSN as the only industrial shareholder in CVRD.

Mr Steinbruch's modest demeanour, combined with his one-time playboy image - ex-girlfriends include a former Miss Brazil - disguise an aggressive management style. Through cost-cutting and better financial management, CSN has been turned from a sluggish, state-owned behemoth into a profitable operation.

Brazilian businessmen expect him to take an equally ruthless approach to CVRD. The conventional wisdom is that his financial partners are likely to want a swift return on their investment, leading to prompt disposals of parts of CVRD, which has a broad range of industrial assets.

Likely candidates are the aluminium business, in which Alcoa, of the US, is believed to be interested, and the paper and pulp division, whose potential buyers include Aracruz Celulose and, ironically, Votorantim, which having failed to buy CVRD is now looking to expand its own paper business.

CSN's own cash requirements also point in the direction of quick measures to increase dividends from CVRD. The group arranged a \$1.2bn loan from a syndicate led by NationsBank to finance its involvement in the auction, which analysts estimate has raised its annual interest bill by more than \$230m.

CSN is considering refinancing this loan with a bond issue this year, according to Mr Richard Gross, head of global investment banking at NationsBank.

However, given the political sensitivity of the sale of CVRD, which prompted more than 130 legal challenges, any disposals will have to be handled very carefully. Not surprisingly, Mr Steinbruch and his partners are playing down the prospect. "We are not looking to do anything abrupt or to break up CVRD," Mr Steinbruch insists.

"We want to maximise long-term value and are not committed to any particular strategy," says Mr Persio Arida, a director of Opportunity Asset Management and now a board member of Valepar. "It would be wrong to deduce our strategy from our viewpoint

as institutional investors."

The other parts of CVRD's new battle-plan have yet to be defined, and the complex cross-shareholdings that are a common feature of Brazilian industry make speculation difficult. However, analysts believe that Mr Steinbruch's likely tactics could have significant international implications for the industries in which it is involved.

Given that CVRD is one of four world price-setters for iron ore, the most obvious way of increasing profits would be to take a more aggressive approach than the government did in trying to negotiate higher prices.

For CSN, which is the only large Brazilian steelmaker to have its own iron ore mines, this tactic has the added attraction of reducing the competitiveness of its local rivals.

Moreover, given that CVRD has significant stakes in several other Brazilian steel companies, analysts forecast that in the long term, the privatisation could lead to a consolidation of the Brazilian flat steel industry, one of the most efficient in the world, into two loose groups - one led by CSN and the other by Usiminas, CSN's biggest competitor.

The government has already set up an inquiry into allegations that these two groups are operating a price-fixing cartel.

However, this is the one area where Mr Steinbruch could come into conflict with CVRD's other controlling shareholders. The Brazilian pension funds in Valepar also hold a large stake in Usiminas. Any move at CVRD which attacks the profitability of Usiminas could prompt their opposition.

CVRD represents new territory for Mr Steinbruch, who has little experience of the mining industry. With his new high-profile status at the top of the Brazilian corporate ladder, the pressure is now on him to prove that all the controversy surrounding the sale of CVRD was worth while.

Geoff Dyer

This is the fourth in a series on Brazilian privatisation. Previous articles appeared on April 29, May 14 and May 23

VSE speaks out on Bre-X affair

By Kenneth Gooding,
Mining Correspondent

If Bre-X, the Canadian minerals group, had been listed on the Vancouver Stock Exchange, it would have created only a minor scandal, not one that shook the global mining industry, Mr John Boddie, vice president marketing of the exchange, said yesterday.

"My best estimate is that it would have been a \$30m problem, not a \$4bn problem," he said after a presentation by the VSE in London.

He insisted that the VSE's staff geologists would have been alerted early by a Bre-X technical report which indicated there was alluvial, or surface, gold in some samples collected by deep drilling at Bre-X's Busang project in Indonesia. "They would have stopped

trading in the shares until that was cleared up."

For some reason, this information was not acted upon by either the Toronto or Alberta exchanges on which Bre-X was listed.

Mr Boddie pointed out that, as the VSE specialised in "junior", or small, natural resource companies, it had five geologists experienced in hard rock mining on its staff. Toronto and Alberta had no staff geologists but relied on consultants.

"We've learned our lessons from the problems we've had with juniors over the years," he added.

The VSE had a record year in 1996 when C\$12bn (US\$8.6bn) of shares were traded, making it the fourth-largest exchange in North America. Last year, companies raised C\$2.1bn on the

exchange, including C\$1.2bn for mining ventures - 25 per cent of the total mining venture capital raised last year.

The situation had changed dramatically after the Bre-X scandal in April this year. "All junior mining stocks have been hurt. There has been a flight from juniors to blue chips, particularly in the resource sector."

The VSE had suffered a second blow because shares in technology companies had gone out of fashion and it also specialised in raising capital for junior technology companies.

Some finance was being raised, however, and this was encouraging. Mexico was the next "hot" area for mining companies at present, and the exchange had been working with the Mexican government to make exploration more attractive there.

This announcement appears as a matter of record only

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COMPANIES AND FINANCE: UK

Funds will be used to develop and expand group's network in eastern region of UK.

Ionica seeks up to £144m in placing

By Alan Cane

Ionica, the Cambridge-based fixed radio telephone operator, is planning to raise between £125m and £144m (\$238m) of new capital through a placing which will value the company at about £570m.

The pathfinder prospectus, published yesterday, suggests a price range for the shares of between 370p and

390p. The shares will be listed in London and in American Depository Share (ADS) form on Nasdaq in the US.

The new shares, between 34m and 36m, will represent about 23 per cent of the company's enlarged issued share capital. An over-allotment option, amounting to a further 15 per cent of the issue size, will be available. None of the existing shareholders

is selling shares in the offering, and the larger ones have agreed not to sell any for the next 12 months.

The funds will be used to develop and expand Ionica's network which covers about 45 per cent of homes in the eastern region of the UK. At the end of May, the company had 21,750 customers in the eastern and Midlands regions.

It had also agreed a £300m

secured debt facility underwritten by Banque Paribas, SBC Warburg, Société Générale and Northern Telecom International Finance. Northern Telecom, the Canadian telecommunications manufacturer, is Ionica's partner in developing the company's fixed radio technology and marketing it on a non-exclusive basis outside the UK. Northern Telecom has sold the technology to

some 20 countries. Ionica receives 5 per cent of the gross sales value.

Mr Nigel Playford, chief executive of Ionica, said the company's aim was to become the principal alternative consumer telephone service supplier in the UK.

Ionica buys capacity to transmit telephone calls in bulk from long-distance operators, and then connects customers to their local

exchange through radio signals.

Unlike wire-line or cable connection, Ionica needs only to invest in new infrastructure - including a small antenna - when new subscribers sign up. The company has raised about £400m in private equity.

SBC Warburg is sponsor and co-ordinator for the offer. The offer price will be announced on July 18.

Direct Line chief set for US

By George Graham, Banking Correspondent

Mr Peter Wood, who transformed the UK motor insurance industry by pioneering the direct sale of policies over the telephone, is to leave Direct Line, the company he founded 13 years ago.

Mr Wood has already handed over day-to-day responsibility for running Direct Line, the UK's largest motor insurer, to Mr Ian Chippendale, but will now relinquish his role as chief executive. He will also step down as director of Royal Bank of Scotland, Direct Line's owner.

Mr Wood will now concentrate on Direct Response, a new US direct insurance venture which he formed in partnership with Mr Jim Stone and Morgan Stanley, as well as on Privilege, which insures higher risk drivers such as sports car owners and those with motoring convictions.

Privilege is also a joint venture with RBS, though Mr Wood retains 51 per cent of the voting rights. RBS has agreed to inject more money into the company to help its expansion.

Mr Wood has been spending one week a month in Boston, and now expects to spend about half his time on his US ventures, which also include a new home insurance venture called Home Owners Corporation.

He will also remain vice chairman of Linea Directa Asseguradora, another joint venture with RBS in Spain. Lord Younger, RBS's chairman, said Mr Wood was "an outstanding entrepreneur".

"There are few people who have ever achieved a step change in an industry. Peter Wood has transformed financial services," he said.

No payment will be made to Mr Wood for the remainder of his contract, which would have expired at the end of 1996, but RBS said that "in recognition of his contribution to Direct Line a payment has been made to his pension fund."

Wessex calls for 'fair' windfall tax

By Jane Martinson

Wessex Water pleaded for a "fair" windfall tax yesterday which recognised companies which had not made unwise diversification decisions.

The Bristol-based group made the plea as it reported annual pre-tax profits up 8 per cent to £145m (\$269m) in the year to March 31 and an 18 per cent increase in its dividend.

The government is expected to outline the scope of

the windfall tax in next week's Budget while Orwat, the industry regulator, publishes its proposals for the next price review today.

Mr Nicholas Hood, Wessex chairman, said yesterday that a "fair" tax would be one that did not favour "companies which have not performed well... at the expense of those which have made shrewd investments outside their core activity".

The group wants the government to base its calculations

on initial sell-off prices so as not to penalise companies which have performed well since privatisation.

Unlike several other utilities, Wessex has never made a large provision to cover losses from its non-regulated businesses. The group said it was still looking for further non-regulated acquisitions after its failure to buy South West Water last year. "We have got a healthy balance sheet with quite a lot of capacity," said Mr Hood. The

amount of capacity would depend on the level of windfall tax, he added.

Wessex has appointed Mr Harry Habert as managing director of UK Waste, its non-regulated joint venture with Waste Management International.

UK Waste lifted pre-tax profits 3 per cent to £25.1m despite a fall in waste paper prices, on sales of £150m. Wessex gained £12.6m.

Total sales rose 6 per cent to £254.3m (£240.7m) in the

year while operating profits gained 11 per cent to £129.7m (£116.6m). Operating costs fell 3 per cent.

Net debt, including preference shares, stood at £263m at year-end, giving gearing of 37 per cent, after the group spent £185m on a capital restructuring.

A proposed final dividend of 13.5p makes a total of 18p, payable on earnings of 82.5p, up 9 per cent.

Wessex shares ended down 1p at 365½p.



Neville Bain: denied succumbing to shareholder pressure

Hogg Robinson plans sale of transport side

By Scheherazade Daneshkhu

Hogg Robinson yesterday said it was in talks to sell its troubled transport business after blaming the strength of sterling for a 48 per cent fall in the division's full-year operating profits.

The business travel and financial services group also announced management changes and said it was considering a share buy-back. Mr Neville Bain, deputy chairman, said transport would be sold because of the lack of synergies with its remaining businesses. He denied succumbing to shareholder pressure.

Last year, UK Active Value Fund, which holds 3 per cent of the equity, urged a break-up of the group and a share buy-back.

The group plans to acquire travel management companies for its business travel division, which will account for two-thirds of group profits after the sale of transport, and would expand its financial services operations. Analysts valued the transport business at between £25m and £35m (\$37.8m).

The news cheered the shares, which rose 9p to 205½p - still below the level to which they tumbled after January's profits warning which wiped almost 30 per cent off their market value.

Hogg said sterling's strength had had "a major adverse impact" on its northern European trailer business leading to the fall in transport operating profits from £5.8m to £3m in the year to March 31.

The strong pound had also led to a "somewhat disappointing" performance in the last quarter from Bennett Travel, the Nordic business travel company acquired in June 1995.

Group profits fell from £26.2m to £24.7m, mainly due to an exceptional £3.5m provision on the sale of Wey's, the loss-making Dutch logistics business, part of transport, in April.

Group operating profits rose 7 per cent to £27.8m to £29.6m. Turnover rose 12 per cent to £287m.

Profits in business travel rose 22 per cent to £20m (£16.4m) on turnover of £118m (£95.5m).

The financial services division reported a 12 per cent rise in profits to £9.2m on turnover up 10 per cent to £49.7m.

Limit to buy more stakes at Lloyd's

By Christopher Adams, Insurance Correspondent

Limit, the biggest corporate investor in Lloyd's, yesterday unveiled a huge rise in profits and said it would acquire stakes in more managing agents and investment companies at the insurance market.

Mr Jonathan Agnew, Limit's chairman and tipped by some to succeed Sir David Rowland as the next chairman of Lloyd's at the end of this year, said the group was considering several deals.

The investment trust has already played a big role in the rapid consolidation which has reshaped the capital structure at Lloyd's and created nascent insurance companies out of the agencies which manage syndicates.

It spent £40m (\$66m) last year on buying Bankside and Janson Green, two leading managing agencies at Lloyd's and a string of further deals are likely.

"It's possible we could buy a controlling stake, but it's more likely to be a minority interest," said Mr Agnew.

Limit's results were the first to include profits from the trust's own underwriting activities at Lloyd's. The insurance market first admitted corporate capital in 1994 and syndicates publish their accounts three years in arrears.

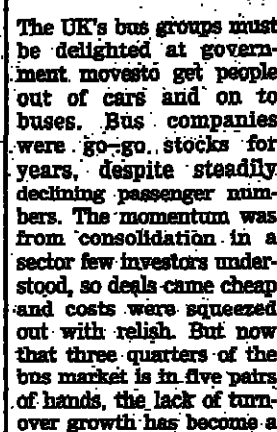
The investment trust reported a jump in pre-tax profits from £13.0m to £70.3m for the year to March 31.

The figures were boosted by an underwriting profit for 1994 of £43.0m and a pre-tax contribution totalling £15.1m from Bankside and Janson Green, just over half of which goes to the agencies' employees.

Analysts are predicting pre-tax profits for the current financial year of about £85m, giving a prospective multiple of 8.4 to the shares, which edged 2½p higher to 134½p.

LEX COMMENT

Buses



The UK's bus groups must be delighted at government moves to get people out of cars and on to buses. Bus companies were go-go, stocks for years, despite steadily declining passenger numbers. The momentum was from consolidation in a sector few investors understood, so deals came cheap and costs were squeezed out with relief. But now that three quarters of the bus market is in five pairs of hands, the lack of turnover growth has become a valid concern.

In theory Labour's proposals are just the ticket. A white paper will look at new charges for motorists and priority traffic routes for buses. Bus operators would form partnerships with local authorities, which would provide improved infrastructure in exchange for increased investment in bus fleets and services. This would raise barriers to entry, push out smaller, poorer operators, and increase passenger volumes. Since the marginal bus passenger can be almost pure profit, investors are seeing pound signs.

But Labour may want a quick pro quo. Life is already good for bus operators, which achieve returns on invested capital of well over 20 per cent while passengers have been rewarded with fare increases well above inflation. So in exchange for proposed improvements, bus companies might have to tender for franchises; and they might even face the prospect of a regulator, presumably Ofbus. Certainly, their returns on capital will suffer considerable scrutiny before the white paper is published early next year.

NEWS DIGEST

US ruling hits T&N shares

Shares in T&N, the engineering company, slid 16½p to 143p yesterday after a US court ruling that appeared to create uncertainty over compensation payments to victims of asbestos-related diseases. T&N insisted the ruling was already allowed for in existing provisions and insurance to settle its asbestos liabilities, but investors reasoned the company might eventually be exposed to higher-than-expected payments.

In yesterday's judgment, the US Supreme Court ruled against an appeal by T&N and other former asbestos producers against an earlier court verdict changing an agreed procedure - the Georgine settlement - for channelling payments to US sufferers of asbestos and related diseases.

From now on, victims will have to fight legal cases on a one-off basis, as opposed to settling payments as part of "class actions" involving a network of claimants. Theoretically, this could open the company to bigger future payments, even though one adviser to T&N said the judgment could just as easily help the company by making future legal procedures more complex and slowing down the rate at which payments were made.

Peter Marsh

Rolls shares limit exceeded

The number of foreign shareholdings in Rolls-Royce has exceeded the 29.5 per cent maximum allowed by 10.6m shares - or 0.72 percentage points - the company revealed yesterday.

Rolls-Royce said it "regretted" having to notify the registrar that the excess shares would have to be transferred by July 18. In May, the company said it would be asking the Labour government to change the articles of association set up by the Conservative government in 1987 at the company's flotation which limits its foreign ownership.

In addition, British Aerospace, which is also bound to the same limits on foreign ownership, announced yesterday that its foreign shareholdings stood at 29.03 per cent.

Investors attack YTT bid

Institutional investors in Yorkshire-Tyne Tees Television have said they do not believe that the management of the Leeds-based TV company has negotiated the best deal for shareholders from Granada Group. The comments came after Granada published its formal, recommended, and final, offer for YTT of £11.75 per ordinary share and 975p per warrant, that values it at £711m (£117bn).

Shareholders said that they would be closely watching the reaction to the offer from Lord Hollick, chief executive of United News & Media and holder of nearly 15 per cent of YTT.

Mr Gerry Robinson, chairman of Granada, said of the "final" offer: "This is it. This is where we stand." He said if shareholders did not accept the recommended offer, Granada would walk away from the deal. If Granada were to pull out, a fall in the YTT share price would be likely.

Gehe sells Lloyds offshoot

Pet care is booming, according to Mercury Asset Management which yesterday funded a £25m (\$35.8m) management buy-out of a veterinary drugs business from Lloyds Chemists, now owned by Gehe of Germany.

Mr Trevor Bayley of MAM's private equity division said the market for veterinary products had achieved 18 per cent annual growth in the last four years. The business specialises in the wholesale distribution of pharmaceuticals, instruments and other products to veterinary practices.

The MBO is led by an 11-strong team investing £100,000-£300,000 for a 23 per cent stake. MAM is providing a further £16.8m, and will hold the balance of what were three separate businesses.

The MBO comes just five months after Gehe won its protracted £684m bid for Lloyds Chemists. It is thought it will also seek to sell the Holland & Barrett healthfood chain.

Peter Hollinger

Price cut for Randgold arm

Randgold Resources, the international gold exploration and mining subsidiary of Randgold of South Africa, has had to reduce substantially the price of the shares it is offering in connection with a capital raising and London stock exchange listing.

Brokers said yesterday that the shares would be priced at £16.50 each, well below the bottom of the £18 to £23 range indicated last week. "Market conditions are very, very tough and they did well to get the offer away," said one broker.

A comparatively low gold price and the Bre-X scandal have had a severe impact on the market for mining equities, but the Resources' management, headed by Mr Peter Flack, executive chairman, decided to push ahead despite these conditions. When the Resources listing was first mooted in March, Mr Flack said he hoped the shares would be priced between £25 and £30 each.

The announcement appears as a matter of record only

June 1997



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NOTICE OF REDEMPTION

BANK OF MONTREAL

FLOATING RATE DEBENTURES,

SERIES 10, DUE 1998

To the holders of Floating Rate Debentures,

Series 10, due 1998

NOTICE IS HEREBY GIVEN THAT, pursuant to the terms of the Trust Indenture dated as of July 23, 1986 between Bank of Montreal (the "Bank"), and The Royal Trust Company, as Trustee, the Bank has elected to redeem all of the outstanding Floating Rate Debentures, Series 10, due 1998 (the "Debentures") on the Interest Payment Date on July 29, 1997 (the "Redemption Date") at the principal amount thereof (the "Redemption Price") with interest accrued to the Redemption Date.

The Redemption Price of each of the Debentures will be paid in lawful money of the United States on presentation and surrender of each of the Debentures at the Bank of Montreal in London, Bank of Montreal in Montreal, Morgan Guaranty Trust Company of New York in New York, Banque Internationale à Luxembourg or Union Bank of Switzerland in Zurich. Each of the Debentures so surrendered must be accompanied by all unmatured coupons appertaining thereto, failing which the face value of the unmatured coupons will be deducted from the Redemption Price.

Accrued interest due July 29, 1997 will be paid in the normal manner against presentation of Coupon No. 22 on or after July 29, 1997.

NOTICE IS FURTHER GIVEN THAT interest on the Debentures ceases to accrue on and after the Redemption Date of July 29, 1997.

BANK OF MONTREAL

by: The Royal Trust Company, Trustee

Dated: June 26, 1997.

Peter Marsh reports on a breakthrough in the compressor industry

Revolution in the air

When jumbo jets of the Scandinavian Airlines System air line need their tyres blown up after touching down at Copenhagen airport, the air comes from a novel compressor claimed to represent the biggest advance in this technology for 30 years.

The compressor is said to use a quarter less energy than comparable machines. It has been designed by CompAir, part of the UK engineering group Siebe and number three in the worldwide compressor industry after Atlas Copco of Sweden and Ingersoll Rand of the US.

Siebe claims that use of its new Cyclon compressors could save tens of millions of pounds a year in electricity costs. If overnight all the compressors in the UK were converted to the new technology, Siebe reckons, Britain could afford to switch off the Sizewell B nuclear power station.

The Cyclon has been devised by a UK engineering team led by John Sinker, engineering director at CompAir's Broomwade division, based in High Wycombe, Buckinghamshire.

Jerry Sorrow, CompAir's president, says that over the next few years the ideas behind Cyclon could form part of two-thirds of

the compressors the company sells around the world under various brand names. "The system is unique - it has the potential to change the game plan of the industry," he says.

Compressors are the unsung workhorses of industry. With \$5bn (£3bn) worth of them produced each year, they are found in most factories, from potteries to car plants, which require compressed air for powering pneumatic equipment. They also play a role in jobs as diverse as paint spraying and printing, while road construction would seize up without compressors for powering drills.

But most compressors are profligate users of energy. A typical system costing \$22,000 will cost the same amount in electricity in just a year.

In nearly all plants the systems are continuously being adjusted according to varying requirements. While a typical compressor's efficiency - the proportion of electric power converted into usable energy - can be as high as 90 per cent at peak load, the figure can drop to as little as 40 per cent when the system is being throttled up and down.

The job of "squashing" air molecules together to provide the compressed air is usual done by a



Changing the game plan: John Sinker, (left) and Jerry Sorrow with the Cyclon

pair of rotors which whirl at up to 5,000 revs/min, under the control of an induction motor.

This is where CompAir, in a five-year development programme, believes it has made a big technical leap. It has used digital techniques to even out the supply of energy to the compres-

or motor, which is where electrical power is normally wasted as speed is continually adjusted. This enables the motor speed to alter gradually, rather than in a series of stops and starts.

The breakthrough would not have been possible without a partnership between CompAir

and Switched Reluctance Drives, a specialised Yorkshire-based motor company which is part of Emerson Electric of the US, the world's biggest maker of electric motors.

CompAir has licensed from SRD some of the technological know-how which enables energy to be pulsed under close control into the coils of a motor to enable the device to use electricity at optimal levels.

Another benefit of the project is that the Cyclon system has been engineered to take up roughly half the space of a conventional system while its better system of energy control should also make it quieter for most applications.

The Cyclon will probably be priced between 30 per cent and 40 per cent higher than rival systems to reflect its lower running costs. It has so far been tried out mainly in Belgium and Scandinavia. Companies testing prototypes of the system include ITT, the US vehicle components group, which has a Cyclon in one of its large European brake systems plants; Tubes Souples, the Belgian extruder of aluminium for use in toothpaste tubes; Danish Crown, the bacon producer; and German diesel engine producer MAN.

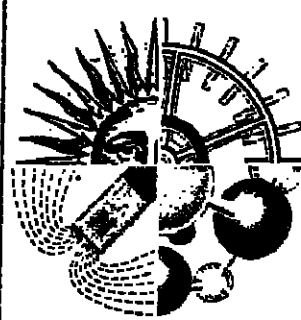
CompAir believes it will sell 200 of the systems in the first year, and that longer term the technology could enable it to close the gap with its two bigger compressor rivals, Atlas and Ingersoll - both of which are estimated to account for around one-fifth of worldwide compressor sales, making them each almost twice the size of the UK company.

components that produce motion. Unlike the pattern in conventional motors, the forces produced by the fields can be made continuous, rather than being continually switched on and off. This makes the motor capable of generating large amounts of power and pushes up the energy efficiency.

SRD's motors would not be practicable but for cheap, high-power semiconductor made mainly by Japanese companies such as Mitsubishi and Toshiba.

Companies working with SRD need to think long-term, however. CompAir, for instance, after having worked on the concepts for five years, is only now starting to sell machines based on the technology.

PM



Antibiotic with line of least resistance

Antibiotics occur naturally in plants, animals and fungi - from which the therapeutic variety are derived - but in humans only one such substance has been found, in the urogenital tract and the lungs.

Now Jens Schröder and colleagues from the University of Kiel's dermatology department have discovered that human skin is protected from infection by an antibiotic produced when it comes into contact with micro-organisms, according to today's *Nature*.

The antibiotic, human beta-defensin-2, is a peptide which is made when and where it is needed and seems to kill the attacking micro-organisms by creating pores in their cell membranes. It is very like the protective antibiotic made by the superficial cells of the tongues of cattle, says the Kiel team.

The finding could have therapeutic implications, as these naturally occurring antibiotic peptides may avoid the problems of acquired resistance. They also appear to be particularly effective against infection by the *e-coli* bacteria, a common cause of serious illness, and the yeast *Candida Albicans*.

University of Kiel, Germany: tel 4915971536, fax 4915971611.

Iron bond beats cobalt for cutting

For 50 years, circular saws and wire beads used in the stone-cutting and construction industries have relied heavily on cobalt to act as a bonding agent for the particles of diamond abrasive that do the cutting.

But cobalt has been compromised, most seriously

by its listing as a suspected carcinogen, and also by its price volatility. An environmentally friendly, less vulnerably priced and equally effective - or even better - alternative has been found by Boart Longyear, part of South Africa's Anglo American Industrial Corporation.

Its Irish-based technical centre has found a way to use iron as the bonding agent. Iron-bonded products including saw blades and beads are already being manufactured. Boart Longyear Technical Centre, Ireland: tel 61339688, fax 61331277.

Detecting a pattern of irregularities

An unusual new technique for pattern recognition and small object detection has been developed at the Georgia Tech Research Institute with potential applications in radiology and other medical areas, manufacturing quality control and elsewhere.

The technique has already been used to help radiologists analyse digital mammograms. The system searches a database of raw information to match patterns and detect objects. The radiologists' archive of past cases becomes a data classifier for processing new mammograms, but the technique is not intended to replace radiologists. Georgia Tech, US: tel 4048943444, fax 4048946883.

Lightweight carbon fibre at full gallop

Tendon injuries are one of the big problems for the racing industry - at full gallop a horse's front flexor tendons have to withstand about three tonnes of force each time a hoof lands.

Andrew Daly, a postgraduate student at London's Royal College of Art, has designed an ultra-lightweight carbon fibre boot which prevents the fetlock joint extending to the point where there could be a risk of injury.

It has been developed over the past six years in conjunction with tendon specialist John Hyde. RCA (Aubrey Greene), UK: tel (0171) 590 4127 or e-mail a.greene@rca.ac.uk

In a field of their own

From washing machines to air conditioning, from conveyor belts to centrifuges, technology created by a small UK engineering consultancy is driving the development of machines around the world.

Switched Reluctance Drives, based in Harrogate, Yorkshire, is a leader in variable speed drives that use electronic techniques to control motor rotation and minimise energy use. SRD, which since 1994 has been part of Emerson Electric, a leading US maker of electric motors, has revenues of about \$3m (£1.8m) a year, mainly in licensing income from about 20 businesses around the world.

These companies use SRD's technology for a range of machines already in production

with annual sales of between \$50m and \$100m, according to Roy Blake, SRD's managing director. The 20 companies with SRD licences include Maytag, third largest manufacturer of white goods in the US, which uses the technology in a new family of energy-efficient washing machines.

Another user is Normalair-Garrett, an engineering company owned by GKN of the UK and the US's AlliedSignal, which has applied SRD's ideas in low-pollution air conditioning systems to be used in a new generation of German high-speed trains.

BJD 100, a UK management buy-out from British Jeffrey Diamond, formerly part of Dresser Industries of the US, is selling industrial conveyor systems based on SRD motors. Beckman Instruments, a US maker of laboratory instruments, has seized on the ideas to turn out a new series of electrically driven centrifuges.

The latest machines based on SRD's concepts to go on sale are a novel series of compressors developed by CompAir, a division of Siebe, the UK engineering company.

SRD, with a staff of 33, was set up in 1980 by Peter Lawrenson, a motor expert formerly at Leeds

University, who has since retired. A particular supporter of the company's ideas is Amory Lovins, the US environment guru, who believes that some of the concepts could be applied to new versions of low-pollution, electrically powered cars.

The main claim of SRD is that its switched reluctance motors can outperform standard induction motors in terms of efficiency, speed, torque, reliability and robustness.

Like standard induction motors, SRD's systems have a rotor (rotating part) and a stator (stationary part). It is the interrelationship of the magnetic fields produced by these two

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INTERNATIONAL CAPITAL MARKETS

Europe ignores 'disappointing' data

GOVERNMENT BONDS

By Michael Lindemann
in London and John
Labate in New York

European bond markets continued their drive upwards yesterday, in spite of what some analysts said were "disappointing" economic indicators.

US Treasuries, meanwhile, were more circumspect and edged downwards, still feeling the aftermath of the Japanese scare earlier this week.

ITALIAN BTPTs once again exemplified the European euphoria. The September BTPT future settled at 134.58, up 0.58 on the day, while the yield spread over bunds tightened to 112 basis points, its lowest-ever level and 10 basis points lower than its close on Tuesday.

Convergence trades still appeared to account for much of the strong demand, but Ms Ros Lifton, bond strategist at HSBC, said Italy also looked good on fundamentals, with weak domestic demand and low growth.

"If you were looking at the economy and forgetting the Shmu dimension, you would be quite happy buying BTPTs," Ms Lifton said.

That sentiment was underscored by the April unemployment rate, which came in at 12.5 per cent, slightly higher than the 12.3 per cent forecast.

GERMAN BONDS were strong in spite of higher than expected June inflation figures. Ms Lifton said demand might be driven by rumours that Germany would not issue a 10-year

bond in the second half of 1997, reducing the number of bonds deliverable for the December futures contract.

The September bund future settled at 101.71, close to the high of 101.76.

Demand for UK GILTS was also strong - surprisingly so, given that gilts had breached the 114 barrier, analysts said. Some said a large buyer, possibly a US fund, had come into the market at lunchtime in London. However, Mr Andrew Roberts, gilts analyst at UBS, said there was likely to

be some profit-taking ahead of the July 2 budget. The September gilt future settled at 113.11, up 11.

US TREASURIES edged lower in morning trading on normal volumes. By noon the benchmark 30-year bond had fallen 1/8 to 96 1/8, yielding 6.02 per cent. The 10-year bond was 1/8 lower at 94 1/8, yielding 6.412 per cent, while the two-year note was unchanged at 99 1/8, yielding 6.017 per cent.

In a surprise to analysts, durable goods orders for May declined by 0.6 per cent,

caused largely by changes in the aircraft and automotive sectors. The fall followed a 1.8 per cent rise in new orders in April.

The effect of the news was underplayed in the market. "If anything, it's kept us up on trading lower," said Mr Peter Hirsch, head of the government desk at Salomon Brothers.

Traders were also gearing up for the afternoon's release of five-year notes. Tuesday's new issue of two-year notes came in at a yield of 6.027 per cent.

Vietnamese debt ratings downgraded

By Jeremy Grant
in Ho Chi Minh City

Thomson BankWatch, the New York-based bank rating agency, has downgraded its sovereign risk rating for Vietnam and nine of its biggest banks.

The move reflects concern over the country's willingness to meet financial commitments in the face of mounting short-term trade debt.

A string of recent loan scandals and trade-related defaults have added to concern over Vietnam's fragile foreign exchange reserves and its troubled banking system, which is saddled with large non-performing loans.

Among the banks listed were three state-owned banks - Vietcombank, the biggest, and Eximbank and Maritime Bank, previously regarded by bankers as among the healthiest semi-private banks.

The agency said it had downgraded Vietnam's sovereign rating from B minus to C, prompted in part by dwindling foreign exchange reserves and reports that Hanoi was giving precedence to domestic banking laws over international banking conventions.

Earlier this month, Vietcombank refused to pay a number of foreign banks money owed under letters of credit, saying local banking law prevented it from doing so until it had first been paid by its clients. International banking conventions say this does not affect bank-to-bank obligations.

"Our feeling is that enough is enough. We've been seeing piling up some

disturbing news about banks not paying for reasons that have nothing to do with normal practice," said Mr Philippe Delaite, president of Thomson BankWatch Asia in Hong Kong.

Hanoi has not commented on the country's banking problems, adding to nervousness among foreign bankers. That is largely due to an obsession with secrecy that saw a recent clampdown by the Communist party on local reporting of banking.

However, a senior Vietcombank official broke official silence on Tuesday, saying Vietnam's ability to honour its financial commitments was beyond reproach.

"We can say that the payment ability of the state has been improved, and will be improved," the official told the Reuters news agency.

Figures released yesterday showed that the country's trade deficit had narrowed sharply in the first five months of 1997 to \$1.2bn, from \$1.9bn in the same period a year ago.

Some bankers were encouraged, saying the decline showed some short-term pressure on the Vietnam's foreign exchange position. They added that increased liquidity in the fledgling treasury bill market was another positive sign.

However, more than \$1bn in letter of credit payments - some deferred - are falling due this year after a surge in short-term trade financing from abroad last year.

Vietnam's foreign exchange reserves at \$1.6bn, equivalent to only seven weeks of imports.

Fannie Mae launches \$1bn global issue

INTERNATIONAL BONDS

By Edward Luca
and Andrew Taylor

Fannie Mae, the US mortgage house, grabbed the limelight in a fairly busy market yesterday with the largest Australian dollar global bond ever launched.

The \$1bn 10-year offering, which will be priced to yield a spread of 10 basis points over the Australian government bond yield curve, will be priced this morning. But DMG, SBC Warburg and Merrill Lynch confirmed healthy order books from Australian dollar funds worldwide.

"Aussie dollar funds have very little liquid paper to buy apart from government bonds and semi-government bonds, which are extremely tight anyway," said one syndicate official.

Another, perhaps a little too enthusiastically, described the Aussie global offering as the beginning of "a new asset class". The proceeds, as with Fannie Mae's debut New Zealand

dollar global a few weeks ago, will be swapped back into US dollars at a sub-libor rate.

GENERAL MOTORS followed recent direct investments in China with its first euro-Asian issue. The bond, priced to yield 40 basis points over five-year Treasuries, was considered fairly tight by some investors at two basis points tighter than GM's five-year global launched in January. Officials, however, pointed out that it was popular with some retail investors who preferred the "beater" form (not available on a global) and the spread pick-up over other A-rated five-year deals in the market. About 20 per cent of the paper went to Asian accounts.

The WORLD BANK had a flood of small issues yesterday including a \$100m five-year offering and \$250m of two-year paper aimed at Europe's retail market. Officials said the deals were timed to coincide with forthcoming redemptions of World Bank bonds, including a \$250m issue maturing on

July 7 and a \$1.5bn bond expiring on July 18.

An official at DMG, sole lead manager of the two-year dollar offer, said investors were looking for short-dated paper after the recent deluge at the longer end of the curve. Retail investors were also excited about World Bank paper in bearer form.

The World Bank also tapped the Australian dollar market with a \$100m five-year bond led by Hambros Bank. The coupon of 6.75 per cent was higher than the usual 6.5 per cent for this maturity from the triple A borrower. The premium reflected a call option allowing the bank to redeem the bond at par after two years.

In line with other Australian dollar bonds aimed at the retail market, the issue had no fixed re-offer price.

L-BANK, the state development bank for Baden-Württemberg raised \$350m from a three-year bond led by SBC Warburg. The re-offer price, fixed at the same level as the equivalent three-year US Treasury, held at that time in subsequent trading.

New international bond issues

Issuer	Amount	Coupon	Price	Maturity	Yield	Spread	Bookrunner
World Bank	250	6.0	98.855	Jul 1999	0.125	-48% (Jun 98)	Deutsche Morgan Grenfell
Bank of Western Aust	250	6.0	98.855	Jul 2002	0.200	-	Salomon Stanley Int
L-Bank	250	6.25	98.871	Jul 2000	0.188	-	SBC Warburg
BE Global Ltd	200	6.0	98.855	Dec 2001	0.100	-38% (May 98)	Salomon Brothers
BE Global Ltd	172.25	3.875	100.00	Jul 2001	2.25	-	Yamashita Int (Europe)
Jacob Overland Bank	150	6.50	98.855	Jul 2000	0.225	-	Yamashita Int (Europe)
Albany National Bank	100	6.50	98.871	Jun 2001	0.188	-15% (Jun 98)	Salomon Brothers
Barque Womans	70	6.0	100.00	Jun 2007	undis	-	Classe Maritima
Stans Roadwork Accepts	500	7.00	98.855	Jul 2007	0.400	-4.25	Goldman Sachs
Commerzbank AG	250	4.625	97.125	Jan 1999	0.125	+1.0	Commerzbank/Warburg
Rabobank Nederland	150 (1)	6.0	98.125	Mar 2001	0.200	-	Rabobank/UBS
General Motors Accept Co	300	6.75	98.855	Jul 2002	0.300	+4.0	HSBC/Paribas
Bank of Western Aust	250	6.0	98.855	Jul 2002	0.200	-	Salomon Stanley Int
Christiansburg Bank	100	6.0	99.942	Jul 2002	17.5	-	Lehman Bros Bankhaus
Land Sachsen Anhalt	100	5.75	98.855	Jul 2007	0.225	-12% (Jun 98)	Commerzbank/SBC Warburg
Q Hypothekbank	500 (1)	4.0	98.125	Apr 2001	0.225	-	Salomon Brothers
Bank of Western Aust	250	6.0	98.855	Jul 2002	0.200	-	Salomon Stanley Int
BE Global Ltd	200	6.0	98.855	Dec 2001	0.100	-38% (May 98)	Salomon Brothers
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COMMODITIES AND AGRICULTURE

Opec members to return to export quotas

By Robert Corzine in Vienna and Gary Mead in London

Some of the world's biggest oil exporters last night agreed to return to their Opec quotas after several days of campaigning by Saudi Arabia and Iran for greater production discipline within the Organisation of Petroleum Exporting Countries.

The ministers meeting in a three-hour informal session with

their aides also agreed to roll over for six months the present production ceiling and to maintain individual national quotas. But they also agreed on certain "undertakings" pledging them to adhere to those quotas, according to Mr. Rikwan Lukman, Opec's secretary general.

The initial statements about the decision elicited some scepticism from traders and analysts attending the Vienna meeting. But Mr

Abdalla El-Badri, Libya's oil minister, said it would be up to the markets to decide whether the Opec action was credible or not.

The message that is thought to have been delivered at the meeting was that only relatively small cutbacks would be needed in Opec output to help prop up prices.

Unlike at previous meetings, Saudi Arabia has deliberately adopted a higher profile this week. Mr. Ali Neimi, the Saudi oil

minister, has clearly decided his delegation should be seen to be taking a more active part in this week's talks.

Over the past few days Mr. Neimi has moved frequently between the various hotels housing the 11 delegations, meeting different combinations of Opec member states. Oil traders and analysts doubted, however, whether the change of style would result in any substantive action.

Another topic of speculation yesterday was the timing of Iraq's return to the oil markets under the second phase of the UN's oil-for-food programme.

Baghdad is angry that the bulk of the funds raised from the sale of \$2bn worth of oil in the past six months is still languishing in western escrow accounts. Instead of being used to purchase food, medicine and other humanitarian items.

Traders fear that an early resumption of the dispute could trigger a sudden return of Iraqi exports to the oil markets and lead to weaker prices.

Lack of firm news from the Opec meeting left the price for Brent oil on London's International Petroleum Exchange little changed yesterday. Brent for August delivery was up 38 cents at \$18.18 a barrel in late trading.

Copper falls on selling by funds

MARKETS REPORT

By Kenneth Gooding and Gary Mead

Copper prices were driven down again yesterday by more speculative selling. Copper for delivery in three months on the London Metal Exchange dropped to \$2,355 a tonne at one point, its lowest for seven weeks and \$230, or 9 per cent, below the \$2,584 seen last Friday.

Mr. William Adams, managing director at Wolf, Lynt & Co., suggested the selling came from investment funds anticipating a copper supply surplus that is widely predicted to materialise later this year.

Some traders said yesterday's small rise in LME copper stocks, the expected slowing of demand during the northern hemisphere summer, and copper's failure to drive conclusively through the key level of \$2,600 a tonne earlier this month, had combined to keep buyers away. They said the fall was exaggerated by options-related activity.

At the close, three-month copper had recovered slightly to end at \$2,373 a tonne, still \$84 down from Tuesday's close.

The recent rise in cocoa on the London International Financial Futures Exchange ran out of steam yesterday as a profit-taking halted a rally that took the September future to a one-year high at the start of the week. The September contract was down \$10 a tonne to \$1,136 - having peaked at \$1,150.

A similar pattern was seen on the New York Coffee, Sugar and Cocoa Exchange, where the September contract had lost \$27 a tonne by midday to \$1,685. On Liffe, coffee also failed to spark, though the September future finished up \$35 at \$1,850 a tonne.

Coffee row rocks Liffe

By Gary Mead

A dispute has erupted between some large coffee traders and the London International Financial Futures Exchange over the new quality-grading scheme for robusta coffee operated by the exchange.

Liffe is today due to make an announcement concerning the change. Traders have complained that the rules in effect mean that at least 24,000 tonnes of coffee that had received a Liffe three-year quality certification must be regraded.

"Coffee traders are angry that they potentially stand to lose about \$50 a tonne on coffee that passed the old quality tests but might fail the new," said one trader. "People who had that three-year certification face a financial loss not of their own making."

The change in the grading rules was announced by Liffe in March 1996 after two years of deliberation and consultation. It takes effect next month and was introduced to take account of the growing importance of non-African robusta producers, such as Vietnam.

The most important change in the grading process concerns tests for mould.

Under the old rules, examination for mould was a sub-

jective process, but the new regulations have introduced a measure of objectivity, by stating that the presence of 10 or more mouldy beans in any 500g sample means that it fails the quality test.

Given that there are about 3,500 beans in 500g, it is proving much easier to fail this more rigorous test.

One coffee trader said: "In the case of Ivory Coast robusta, which normally sees around 80 per cent of its produce meeting the grade, only 20 per cent is currently passing. These changes were announced two years ago in order to reflect the growth in the robusta business, but ironically they have ended up by restricting it."

Liffe officials have so far argued that the more stringent mould test is essential, as moisture and mould have been linked by scientists to the presence of ochratoxin, a micro-organism which in turn have been connected to the development of cancer.

It is too early to tell how big the losses might be for traders stuck with beans that fail to meet Liffe's new tests.

But they are deeply unhappy. One said yesterday: "There is a growing feeling among the trade that Liffe has become too big and that the powers that be there don't understand physically-deliverable markets."

GMS strikes a rich seam in Sardinia

After a gap of some 400 years, gold is being poured again today on the Italian island

A little Russian-built, four-wheel drive vehicle manoeuvres around a boulder on the narrow track along a hillside near Osio, in the north of the Italian island of Sardinia. "That rock is worth \$20,000," says Mr. John Stockley, with a grin.

Mr. Stockley is a consulting geologist working for Gold Mines of Sardinia, a company managed by Australians which last year was listed on London's Alternative Investment Market (AIM) and the Luxembourg stock exchange.

In 1988, gold was discovered by students from the University of Cagliari, the capital of Sardinia. This was startling because, although Italy is Europe's biggest consumer of gold, it has not produced any for at least 400 years, when the Spanish had mined for gold along the coast of Sardinia.

Although there is a long history of mining on Sardinia - silver, lead, zinc and copper have been produced in the past, and today silica sand, kaolin, feldspar and bentonite - no new mines have been developed in Italy for 20 years.

The gold at Osio was missed over the centuries because it is virtually invisible and finely disseminated through the rock. After the discovery, Sardinia's

regional government decided to go into partnership with a company that could provide the experience and expertise to identify and extract the gold. It chose Gold Mines of Sardinia.

Nevertheless, some local people showed a great deal of scepticism when the Australians arrived.

"Some people won't believe there's any gold on Sardinia until they know it has actually been produced," says Mr. Pietro Pinna, president of Ensa, Sardinia's domestic mining group.

The wait is over. Today the first gold will be poured at the Furtel mine, 40km from Cagliari in the south of the island.

GMS owns 70 per cent of Sardinia Gold Mining, the company that has developed Furtel and has the exclusive rights to explore for gold anywhere on the island - roughly 280km long and 120km wide. An Ensa subsidiary, Progenia, owns the remaining 30 per cent.

When GMS was listed on AIM a year ago, it said it would produce a modest 25,000 ounces of gold annually from four open pits at Furtel for about three years to generate cash flow for further exploration.

However, Mr. Bill Humphries, GMS chief executive,

says so much gold is being collected that he expects to produce 45,000 oz a year, possibly rising to 70,000 oz. In addition, exploration in the area in the past six months has been so successful it has doubled the mine's expected life.

Mr. Humphries wants to push ahead with exploration at Osio, on the other side of the island, so a bankable feasibility study can be ready by the end of next year.

SGM also needs to explore the rest of the island so it can put other prospective areas under license; it has already tied up nearly 300,000 hectares. The company's exclusive right to explore for gold expires next April, but given its warm relationship with the regional government and Ensa, Mr. Humphries expects that an extension will be granted.

GMS was founded by Mr. John Morris, its managing director, and Mr. John Chapell, a consulting geologist and non-executive director, who had been responsible for the discovery and development of a clutch of mining projects in Australia.

But it has not been all plain sailing. Mr. Morris admits that a full year was lost while GMS negotiated a grant from the Italian government. There were further delays when heavy rain



John Morris: wants GMS to be a pure gold play

held up construction work at Furtel for about three months.

SGM spent US\$13m to get Furtel up and running. About \$1m a year has been spent on exploration near the mine, and this is likely to be increased. Another \$1m was spent exploring and drilling elsewhere on the island last year. Running costs are expected to be low at Furtel, under \$300 an ounce.

"There is enough work to be done in Sardinia for a company five times our size," says Mr. Morris. "The destiny of GMS must be in Europe. And we want to be a pure gold play."

He suggests that in about two years, when a mine at Osio is in production, GMS - and Italy's - annual gold output will rise to 200,000 oz.

Kenneth Gooding

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Associated Metal Trading)

Aluminium 99.99%	Price	Change
Close	1530-36	1539-00
Previous	1531.5-2.5	1539-00
High/Low	1531.5-2.5	1539-00
AM Official	1539-00	1539-00
Kerb close	1539-00	1539-00
Open int.	256,594	108,906
Total daily turnover	108,906	

Aluminium alloy 5083	Price	Change
Close	1432-37	1430-63
Previous	1435-40	1430-63
High/Low	1435-40	1430-63
AM Official	1433-34	1430-63
Kerb close	1433-34	1430-63
Open int.	4,282	1,708
Total daily turnover	1,708	

Lead 99.99%	Price	Change
Close	804-5	818-8
Previous	805-5-0	820-1
High/Low	805-5-0	820-1
AM Official	804-5	818-8
Kerb close	804-5	818-8
Open int.	33,749	616-9
Total daily turnover	4,353	

Nickel 99.99%	Price	Change
Close	6925-35	7040-50
Previous	7055-05	7170-00
High/Low	7055-05	7170-00
AM Official	7005-10	7135-35
Kerb close	7005-10	7135-35
Open int.	51,734	7040-50
Total daily turnover	22,995	

Zinc 99.99%	Price	Change
Close	5520-30	5570-00
Previous	5550-55	5610-15
High/Low	5550-55	5610-15
AM Official	5530-35	5570-00
Kerb close	5530-35	5570-00
Open int.	14,074	5570-00
Total daily turnover	3,322	

22% Zn, special high grade (50 tonnes)	Price	Change
Close	1359-50	1378-79
Previous	1368-7	1403-4
High/Low	1368-7	1403-4
AM Official	1376-77	1393-94
Kerb close	1376-77	1393-94
Open int.	95,003	1393-94
Total daily turnover	34,536	

Copper, grade A (5 tonnes)	Price	Change
Close	2491-96	2581-02
Previous	2625-5-75	2496-7
High/Low	2552-24-94	2455-20-55
AM Official	2550-51	2451-32
Kerb close	2550-51	2451-32
Open int.	120,028	2572-73
Total daily turnover	151,488	

LME A/R official 6/8 rates 1,000lb	Price	Change
LME Clearing 6/8 rates 1,000lb	338-45	203-25
Day's High	338-45	203-25
Day's Low	337-90-338-10	
Previous close	338-30-338-80	

High Grade Copper (COMEX)	Price	Change
Set 1 1621 3 ticks 1659 6 ticks 1548 9 ticks 1554		

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FT MANAGED FUNDS SERVICE

Swiss Bank Corporation - Contd.	Equity Fund Managers	AUT	-
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American Pioneer Investment Portfolios (C)									
100% Domestic	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% International	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Global	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Emerging Markets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Fixed Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Bond	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Money Market	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Commodity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Hedge Fund	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Private Equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Cryptocurrency	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Art	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Identity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Assets	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Real Estate	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Art Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital NFT Collection	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Virtual Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Augmented Reality	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Blockchain	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Smart Contracts	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Decentralized Finance	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Digital Privacy	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
100% Digital Digital Digital Digital Digital Digital Digital Digital Digital Digital Identity	0.								

FT MANAGED FUNDS SERVICE

Offshore Insurance and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (44 171) 873 4378 for more details.

Asia Pacific	Fund Name	Unit Price	Change	Europe	Fund Name	Unit Price	Change	North America	Fund Name	Unit Price	Change	Global	Fund Name	Unit Price	Change
Asia Pacific				Europe				North America				Global			
Asia Pacific Growth Fund	1.25	+0.02	+1.6%	European Growth Fund	1.10	+0.01	+0.9%	North American Growth Fund	1.05	+0.01	+0.9%	Global Growth Fund	1.00	+0.01	+1.0%
Asia Pacific Income Fund	1.15	+0.01	+0.9%	European Income Fund	1.05	+0.01	+0.9%	North American Income Fund	1.00	+0.01	+1.0%	Global Income Fund	0.95	+0.01	+1.1%
Asia Pacific Bond Fund	1.05	+0.01	+0.9%	European Bond Fund	1.00	+0.01	+1.0%	North American Bond Fund	0.95	+0.01	+1.1%	Global Bond Fund	0.90	+0.01	+1.1%
Asia Pacific Equity Fund	1.30	+0.02	+1.5%	European Equity Fund	1.15	+0.02	+1.7%	North American Equity Fund	1.10	+0.02	+1.8%	Global Equity Fund	1.05	+0.02	+1.9%
Asia Pacific Dividend Fund	1.20	+0.01	+0.8%	European Dividend Fund	1.10	+0.01	+0.9%	North American Dividend Fund	1.05	+0.01	+1.0%	Global Dividend Fund	1.00	+0.01	+1.1%
Asia Pacific Hedge Fund	1.40	+0.03	+2.1%	European Hedge Fund	1.20	+0.03	+2.5%	North American Hedge Fund	1.15	+0.03	+2.6%	Global Hedge Fund	1.10	+0.03	+2.7%
Asia Pacific Real Estate Fund	1.35	+0.02	+1.4%	European Real Estate Fund	1.15	+0.02	+1.7%	North American Real Estate Fund	1.10	+0.02	+1.8%	Global Real Estate Fund	1.05	+0.02	+1.9%
Asia Pacific Commodity Fund	1.25	+0.01	+0.8%	European Commodity Fund	1.10	+0.01	+0.9%	North American Commodity Fund	1.05	+0.01	+1.0%	Global Commodity Fund	1.00	+0.01	+1.1%
Asia Pacific Multi-Asset Fund	1.30	+0.02	+1.5%	European Multi-Asset Fund	1.15	+0.02	+1.7%	North American Multi-Asset Fund	1.10	+0.02	+1.8%	Global Multi-Asset Fund	1.05	+0.02	+1.9%
Asia Pacific Sustainable Fund	1.20	+0.01	+0.8%	European Sustainable Fund	1.10	+0.01	+0.9%	North American Sustainable Fund	1.05	+0.01	+1.0%	Global Sustainable Fund	1.00	+0.01	+1.1%
Asia Pacific Environmental Fund	1.15	+0.01	+0.9%	European Environmental Fund	1.05	+0.01	+0.9%	North American Environmental Fund	1.00	+0.01	+1.0%	Global Environmental Fund	0.95	+0.01	+1.1%
Asia Pacific Social Fund	1.10	+0.01	+0.9%	European Social Fund	1.00	+0.01	+1.0%	North American Social Fund	0.95	+0.01	+1.1%	Global Social Fund	0.90	+0.01	+1.2%
Asia Pacific Human Rights Fund	1.05	+0.01	+0.9%	European Human Rights Fund	0.95	+0.01	+1.1%	North American Human Rights Fund	0.90	+0.01	+1.2%	Global Human Rights Fund	0.85	+0.01	+1.3%
Asia Pacific Gender Fund	1.00	+0.01	+1.0%	European Gender Fund	0.90	+0.01	+1.1%	North American Gender Fund	0.85	+0.01	+1.2%	Global Gender Fund	0.80	+0.01	+1.3%
Asia Pacific LGBT Fund	0.95	+0.01	+1.1%	European LGBT Fund	0.85	+0.01	+1.2%	North American LGBT Fund	0.80	+0.01	+1.3%	Global LGBT Fund	0.75	+0.01	+1.4%
Asia Pacific Trans Fund	0.90	+0.01	+1.1%	European Trans Fund	0.80	+0.01	+1.2%	North American Trans Fund	0.75	+0.01	+1.3%	Global Trans Fund	0.70	+0.01	+1.4%
Asia Pacific Interfaith Fund	0.85	+0.01	+1.2%	European Interfaith Fund	0.75	+0.01	+1.3%	North American Interfaith Fund	0.70	+0.01	+1.4%	Global Interfaith Fund	0.65	+0.01	+1.5%
Asia Pacific Religious Fund	0.80	+0.01	+1.2%	European Religious Fund	0.70	+0.01	+1.4%	North American Religious Fund	0.65	+0.01	+1.5%	Global Religious Fund	0.60	+0.01	+1.6%
Asia Pacific Spiritual Fund	0.75	+0.01	+1.3%	European Spiritual Fund	0.65	+0.01	+1.5%	North American Spiritual Fund	0.60	+0.01	+1.6%	Global Spiritual Fund	0.55	+0.01	+1.7%
Asia Pacific Mystical Fund	0.70	+0.01	+1.4%	European Mystical Fund	0.60	+0.01	+1.6%	North American Mystical Fund	0.55	+0.01	+1.7%	Global Mystical Fund	0.50	+0.01	+1.8%
Asia Pacific Esoteric Fund	0.65	+0.01	+1.5%	European Esoteric Fund	0.55	+0.01	+1.7%	North American Esoteric Fund	0.50	+0.01	+1.8%	Global Esoteric Fund	0.45	+0.01	+1.9%
Asia Pacific Occult Fund	0.60	+0.01	+1.6%	European Occult Fund	0.50	+0.01	+1.8%	North American Occult Fund	0.45	+0.01	+1.9%	Global Occult Fund	0.40	+0.01	+2.0%
Asia Pacific Paranormal Fund	0.55	+0.01	+1.7%	European Paranormal Fund	0.45	+0.01	+1.9%	North American Paranormal Fund	0.40	+0.01	+2.0%	Global Paranormal Fund	0.35	+0.01	+2.1%
Asia Pacific Supernatural Fund	0.50	+0.01	+1.8%	European Supernatural Fund	0.40	+0.01	+2.0%	North American Supernatural Fund	0.35	+0.01	+2.1%	Global Supernatural Fund	0.30	+0.01	+2.2%
Asia Pacific Magical Fund	0.45	+0.01	+1.9%	European Magical Fund	0.35	+0.01	+2.1%	North American Magical Fund	0.30	+0.01	+2.2%	Global Magical Fund	0.25	+0.01	+2.3%
Asia Pacific Alchemical Fund	0.40	+0.01	+2.0%	European Alchemical Fund	0.30	+0.01	+2.2%	North American Alchemical Fund	0.25	+0.01	+2.3%	Global Alchemical Fund	0.20	+0.01	+2.4%
Asia Pacific Hermetic Fund	0.35	+0.01	+2.1%	European Hermetic Fund	0.25	+0.01	+2.3%	North American Hermetic Fund	0.20	+0.01	+2.4%	Global Hermetic Fund	0.15	+0.01	+2.5%
Asia Pacific Thelemic Fund	0.30	+0.01	+2.2%	European Thelemic Fund	0.20	+0.01	+2.4%	North American Thelemic Fund	0.15	+0.01	+2.5%	Global Thelemic Fund	0.10	+0.01	+2.6%
Asia Pacific Ceremonial Fund	0.25	+0.01	+2.3%	European Ceremonial Fund	0.15	+0.01	+2.5%	North American Ceremonial Fund	0.10	+0.01	+2.6%	Global Ceremonial Fund	0.05	+0.01	+2.7%
Asia Pacific Ritual Fund	0.20	+0.01	+2.4%	European Ritual Fund	0.10	+0.01	+2.6%	North American Ritual Fund	0.05	+0.01	+2.7%	Global Ritual Fund	0.00	+0.01	+2.8%
Asia Pacific Magical Fund	0.15	+0.01	+2.5%	European Magical Fund	0.05	+0.01	+2.7%	North American Magical Fund	0.00	+0.01	+2.8%	Global Magical Fund	0.00	+0.01	+2.9%
Asia Pacific Esoteric Fund	0.10	+0.01	+2.6%	European Esoteric Fund	0.00	+0.01	+2.8%	North American Esoteric Fund	0.00	+0.01	+2.9%	Global Esoteric Fund	0.00	+0.01	+3.0%
Asia Pacific Occult Fund	0.05	+0.01	+2.7%	European Occult Fund	0.00	+0.01	+2.9%	North American Occult Fund	0.00	+0.01	+3.0%	Global Occult Fund	0.00	+0.01	+3.1%
Asia Pacific Paranormal Fund	0.00	+0.01	+2.8%	European Paranormal Fund	0.00	+0.01	+3.0%	North American Paranormal Fund	0.00	+0.01	+3.1%	Global Paranormal Fund	0.00	+0.01	+3.2%
Asia Pacific Supernatural Fund	0.00	+0.01	+2.9%	European Supernatural Fund	0.00	+0.01	+3.1%	North American Supernatural Fund	0.00	+0.01	+3.2%	Global Supernatural Fund	0.00	+0.01	+3.3%
Asia Pacific Magical Fund	0.00	+0.01	+3.0%	European Magical Fund	0.00	+0.01	+3.2%	North American Magical Fund	0.00	+0.01	+3.3%	Global Magical Fund	0.00	+0.01	+3.4%
Asia Pacific Alchemical Fund	0.00	+0.01	+3.1%	European Alchemical Fund	0.00	+0.01	+3.3%	North American Alchemical Fund	0.00	+0.01	+3.4%	Global Alchemical Fund	0.00	+0.01	+3.5%
Asia Pacific Hermetic Fund	0.00	+0.01	+3.2%	European Hermetic Fund	0.00	+0.01	+3.4%	North American Hermetic Fund	0.00	+0.01	+3.5%	Global Hermetic Fund	0.00	+0.01	+3.6%
Asia Pacific Thelemic Fund	0.00	+0.01	+3.3%	European Thelemic Fund	0.00	+0.01	+3.5%	North American Thelemic Fund	0.00	+0.01	+3.6%	Global Thelemic Fund	0.00	+0.01	+3.7%
Asia Pacific Ceremonial Fund	0.00	+0.01	+3.4%	European Ceremonial Fund	0.00	+0.01	+3.6%	North American Ceremonial Fund	0.00	+0.01	+3.7%	Global Ceremonial Fund	0.00	+0.01	+3.8%
Asia Pacific Ritual Fund	0.00	+0.01	+3.5%	European Ritual Fund	0.00	+0.01	+3.7%	North American Ritual Fund	0.00	+0.01	+3.8%	Global Ritual Fund	0.00	+0.01	+3.9%
Asia Pacific Magical Fund	0.00	+0.01	+3.6%	European Magical Fund	0.00	+0.01	+3.8%	North American Magical Fund	0.00	+0.01	+3.9%	Global Magical Fund	0.00	+0.01	+4.0%
Asia Pacific Esoteric Fund	0.00	+0.01	+3.7%	European Esoteric Fund	0.00	+0.01	+3.9%	North American							

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Asia Pacific	Fund Name	Unit Price	Change	Europe	Fund Name	Unit Price	Change	North America	Fund Name	Unit Price	Change	Global	Fund Name	Unit Price	Change
Asia Pacific				Europe				North America				Global			
Asia Pacific Growth Fund	1.25	+0.02	+1.6%	European Growth Fund	1.10	+0.01	+0.9%	North American Growth Fund	1.05	+0.01	+0.9%	Global Growth Fund	1.00	+0.01	+1.0%
Asia Pacific Income Fund	1.15	+0.01	+0.9%	European Income Fund	1.05	+0.01	+0.9%	North American Income Fund	1.00	+0.01	+1.0%	Global Income Fund	0.95	+0.01	+1.1%
Asia Pacific Bond Fund	1.05	+0.01	+0.9%	European Bond Fund	1.00	+0.01	+1.0%	North American Bond Fund	0.95	+0.01	+1.1%	Global Bond Fund	0.90	+0.01	+1.1%
Asia Pacific Equity Fund	1.30	+0.02	+1.5%	European Equity Fund	1.15	+0.02	+1.7%	North American Equity Fund	1.10	+0.02	+1.8%	Global Equity Fund	1.05	+0.02	+1.9%
Asia Pacific Dividend Fund	1.20	+0.01	+0.8%	European Dividend Fund	1.10	+0.01	+0.9%	North American Dividend Fund	1.05	+0.01	+1.0%	Global Dividend Fund	1.00	+0.01	+1.1%
Asia Pacific Hedge Fund	1.40	+0.03	+2.1%	European Hedge Fund	1.20	+0.03	+2.5%	North American Hedge Fund	1.15	+0.03	+2.6%	Global Hedge Fund	1.10	+0.03	+2.7%
Asia Pacific Real Estate Fund	1.35	+0.02	+1.4%	European Real Estate Fund	1.15	+0.02	+1.7%	North American Real Estate Fund	1.10	+0.02	+1.8%	Global Real Estate Fund	1.05	+0.02	+1.9%
Asia Pacific Commodity Fund	1.25	+0.01	+0.8%	European Commodity Fund	1.10	+0.01	+0.9%	North American Commodity Fund	1.05	+0.01	+1.0%	Global Commodity Fund	1.00	+0.01	+1.1%
Asia Pacific Multi-Asset Fund	1.30	+0.02	+1.5%	European Multi-Asset Fund	1.15	+0.02	+1.7%	North American Multi-Asset Fund	1.10	+0.02	+1.8%	Global Multi-Asset Fund	1.05	+0.02	+1.9%
Asia Pacific Sustainable Fund	1.20	+0.01	+0.8%	European Sustainable Fund	1.10	+0.01	+0.9%	North American Sustainable Fund	1.05	+0.01	+1.0%	Global Sustainable Fund	1.00	+0.01	+1.1%
Asia Pacific Environmental Fund</															

LONDON STOCK EXCHANGE

UK stocks extend rehabilitation process

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

The equity market's confidence, badly dented in recent sessions by worries about next week's Budget, the possibility of another rate rise, and Wall Street's 192-point slide on Monday, recovered strongly yesterday.

Wall Street's stunning overnight rally, which saw the Dow Jones Industrial Average recoup much of the previous day's loss - it rose 153.8 - was the prime motivation behind London's performance. The US market's rather erratic performance yesterday - it opened slightly lower

and shipped away before embarking on a strong run and then coming off again as London closed - had only a minor impact on UK trading.

But there was also a growing feeling around the market place that the heavy losses in UK shares since the start of the abolition of the 20 per cent tax credit on dividend payments first impacted may have been overdone.

Some market observers are increasingly taking the view that the new chancellor might reduce the tax credit in a series of steps, of possibly 5 percentage points a year. This, it was pointed out,

could mean that the market had already factored in the first year's reduction.

A firm showing by gilts, which recovered after a slow opening, also helped to galvanise share prices. The auction of £2bn of 10-year gilts was deemed satisfactory and covered 2.7 times. Two sets of trade figures, total trade for April and non-EU trade data for May, came in slightly worse than expected, but had little impact of sentiment, dealers said.

Another strong bull point for stocks was the continuing takeover buzz in the banks and insurance stocks, which showed no signs of abating. Bid stories hummed across the sector,

encompassing Abbey National and Bank of Scotland among others. News that Mr Tan Sri Khoo Teck Puat had taken his long-standing stake in Standard Chartered above the 15 per cent mark saw the latter's shares build on recent strength.

And the talk that a bid might materialise for Norwich Union refused to die down.

The FTSE 100 index made rapid progress after an initial opening burst of strength and eventually finished the day a net 43.7 higher at 4,640.0. Over the past two days the index has recouped 64.2, or 1.4 per cent.

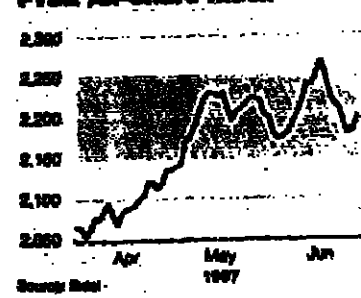
The concentration of activity in the leaders meant that the sec-

ond-liners and smaller stocks once again took a back seat, substantially underperforming the front-line stocks. Both managed small gains, however. The FTSE 250 moved up 6.2 to 4,453.5 and the FTSE SmallCap 3.8 to 2,238.2.

Wall Street's big gains imparted substantial strength to all the market's US favourites, which included the oil stocks. They were also helped by a feeling that all the bad news in the sector is already in the prices. Drug stocks, keenly sought by American funds, also made good progress.

Turnover kept up with recent good levels, eventually reaching 526m shares at 6pm.

FTSE All-Share Index



Equity shares traded

Turnover by volume (million) (including foreign bought and sold, but excluding Treasury and Treasury bills)

Index	Value	Change
FTSE 100	4640.0	+43.7
FTSE 250	4453.5	+6.2
FTSE 350	2244.0	+1.7
FTSE All-Share	2188.7	+16.3
FTSE All-Share yield	3.53	3.55

Best performing sectors

1 Gas Distribution	+4.6
2 Pharmaceuticals	+2.1
3 Oil Exploration	+1.4
4 Banker Retail	+1.1
5 Oil Integrated	+1.1

Worst performing sectors

1 Telecoms	-1.4
2 Transport & Construction	-1.4
3 Transport	-1.4
4 Engineering, Vehicles	-1.4
5 Diversified Industrials	-1.4

FUTURES AND OPTIONS

Index	Open	Sett	Change	High	Low	Vol	Open Int
FTSE 100 INDEX FUTURES (LFF) £25 per pt	4630.0	4640.0	+10.0	4640.0	4630.0	100	100
FTSE 250 INDEX FUTURES (LFF) £10 per pt	4440.0	4453.5	+13.5	4453.5	4440.0	100	100

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Buyers move in for BG

By Peter John
and Martin Brice

Funds holding the demerged components of the old British Gas utility were delighted with yesterday's boost to their assets.

A feeling that management of both Centrica and BG have got to grips with regulatory and competitive problems saw both dominate the Footsie yesterday on combined turnover of 45m shares. The two stocks represent about 1.25 per cent of the overall market and the combined closing price of 307p is the highest for two years.

Centrica headed the list of outperformers with a rise of 4 to 764p as analysts continued to take an enthusiastic view following the recent company presentation.

NatWest reiterated its positive stance yesterday and UBS upgraded the stock to 'buy' from 'hold' citing Centrica management's confidence that the company can maintain profit margins.

Centrica, the gas supply business, is aiming to settle almost one-third of its long term take-or-pay contracts with North Sea producers within the next 12 months. And HSBC James Capel has been telling clients that the implicit reduction in the take-or-pay liability was

worth up to 7p on the share price.

Meanwhile, BG jumped 9% to 231p with optimism following last week's regulatory ruling over pipeline fees compounded by comments by the chancellor of the exchequer yesterday.

Analysts believed the chancellor was hinting that the long-awaited windfall tax on profits might now come out at £2bn as opposed to the £5bn previously feared.

Enterprise firmed 14 to 669p, pushed by a certain amount of takeover enthusiasm fuelled by last week's bid of \$6.4bn by Union Pacific for Pennzoil.

Enterprise is involved with Pennzoil in the Gulf of Mexico and the offer served to remind the market of the potential for further consolidation despite current high valuations.

Banks buoyant

Barclays led a buoyant banking sector higher with a gain of 44 to £12.14.

Merrill Lynch was said to have been pointing out that the shares had missed out on the recent sector rally.

But, bubbling underneath, is a growing feeling that the bank is about to make a substantial acquisition.

Some specialists pointed out that the bank has a great deal in common with National Westminster which was recently revealed to have shown interest in Abbey National. Now that NatWest has backed off to put its own house in order, Barclays might be tempted to make a pitch for the mort-

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE									
Austria (Jun 25 / Fri)									
ATX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Belgium (Jun 25 / Fri)									
BRX	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Denmark (Jun 25 / Fri)									
OMXC20	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
France (Jun 25 / Fri)									
CAC40	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Germany (Jun 25 / Fri)									
DAX	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Greece (Jun 25 / Fri)									
ATHEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Ireland (Jun 25 / Fri)									
ISEQ	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Italy (Jun 25 / Fri)									
FTSEMIB	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
Japan (Jun 25 / Fri)									
Nikkei	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67	12,345.67
Korea (Jun 25 / Fri)									
KOSPI	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Netherlands (Jun 25 / Fri)									
AEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Norway (Jun 25 / Fri)									
OSLO	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Portugal (Jun 25 / Fri)									
BVL	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Spain (Jun 25 / Fri)									
IBEX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Sweden (Jun 25 / Fri)									
OMXC20	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Switzerland (Jun 25 / Fri)									
SIX	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
UK (Jun 25 / Fri)									
FTSE100	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78	3,456.78
US INDICES									
Dow Jones									
DJIA	7,890.12	7,890.12	7,890.12	7,890.12	7,890.12	7,890.12	7,890.12	7,890.12	7,890.12
S&P 500									
S&P	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
NASDAQ									
NDX	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67	2,345.67
EURO STOXX									
EURO	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
AFRICA									
South Africa									
FTSE-JSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
ASIA									
Hong Kong									
HSI	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Taiwan									
TSEI	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Thailand									
SET	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Philippines									
PSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Indonesia									
JKSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Singapore									
STSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Malaysia									
FTSE-MC	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
New Zealand									
NZSE	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56
Australia									
ASX	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56	1,234.56

In the world's crowded skies,
Rockwell Collins Avionics
plays a key role in promoting
safety and efficiency.

Rockwell

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INDICES

	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 29	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 29	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 29	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug 7	Aug 6	Aug 5	Aug 4	Aug 3	Aug 2	Aug 1	Jul 31	Jul 30	Jul 29	Jul 28	Jul 27	Jul 26	Jul 25	Jul 24	Jul 23	Jul 22	Jul 21	Jul 20	Jul 19	Jul 18	Jul 17	Jul 16	Jul 15	Jul 14	Jul 13	Jul 12	Jul 11	Jul 10	Jul 9	Jul 8	Jul 7	Jul 6	Jul 5	Jul 4	Jul 3	Jul 2	Jul 1	Jun 30	Jun 29	Jun 28	Jun 27	Jun 26	Jun 25	Jun 24	Jun 23	Jun 22	Jun 21	Jun 20	Jun 19	Jun 18	Jun 17	Jun 16	Jun 15	Jun 14	Jun 13	Jun 12	Jun 11	Jun 10	Jun 9	Jun 8	Jun 7	Jun 6	Jun 5	Jun 4	Jun 3	Jun 2	Jun 1	May 31	May 30	May 29	May 28	May 27	May 26	May 25	May 24	May 23	May 22	May 21	May 20	May 19	May 18	May 17	May 16	May 15	May 14	May 13	May 12	May 11	May 10	May 9	May 8	May 7	May 6	May 5	May 4	May 3	May 2	May 1	Apr 30	Apr 29	Apr 28	Apr 27	Apr 26	Apr 25	Apr 24	Apr 23	Apr 22	Apr 21	Apr 20	Apr 19	Apr 18	Apr 17	Apr 16	Apr 15	Apr 14	Apr 13	Apr 12	Apr 11	Apr 10	Apr 9	Apr 8	Apr 7	Apr 6	Apr 5	Apr 4	Apr 3	Apr 2	Apr 1	Mar 31	Mar 30	Mar 29	Mar 28	Mar 27	Mar 26	Mar 25	Mar 24	Mar 23	Mar 22	Mar 21	Mar 20	Mar 19	Mar 18	Mar 17	Mar 16	Mar 15	Mar 14	Mar 13	Mar 12	Mar 11	Mar 10	Mar 9	Mar 8	Mar 7	Mar 6	Mar 5	Mar 4	Mar 3	Mar 2	Mar 1	Feb 29	Feb 28	Feb 27	Feb 26	Feb 25	Feb 24	Feb 23	Feb 22	Feb 21	Feb 20	Feb 19	Feb 18	Feb 17	Feb 16	Feb 15	Feb 14	Feb 13	Feb 12	Feb 11	Feb 10	Feb 9	Feb 8	Feb 7	Feb 6	Feb 5	Feb 4	Feb 3	Feb 2	Feb 1	Jan 31	Jan 30	Jan 29	Jan 28	Jan 27	Jan 26	Jan 25	Jan 24	Jan 23	Jan 22	Jan 21	Jan 20	Jan 19	Jan 18	Jan 17	Jan 16	Jan 15	Jan 14	Jan 13	Jan 12	Jan 11	Jan 10	Jan 9	Jan 8	Jan 7	Jan 6	Jan 5	Jan 4	Jan 3	Jan 2	Jan 1	Dec 31	Dec 30	Dec 29	Dec 28	Dec 27	Dec 26	Dec 25	Dec 24	Dec 23	Dec 22	Dec 21	Dec 20	Dec 19	Dec 18	Dec 17	Dec 16	Dec 15	Dec 14	Dec 13	Dec 12	Dec 11	Dec 10	Dec 9	Dec 8	Dec 7	Dec 6	Dec 5	Dec 4	Dec 3	Dec 2	Dec 1	Nov 30	Nov 29	Nov 28	Nov 27	Nov 26	Nov 25	Nov 24	Nov 23	Nov 22	Nov 21	Nov 20	Nov 19	Nov 18	Nov 17	Nov 16	Nov 15	Nov 14	Nov 13	Nov 12	Nov 11	Nov 10	Nov 9	Nov 8	Nov 7	Nov 6	Nov 5	Nov 4	Nov 3	Nov 2	Nov 1	Oct 31	Oct 30	Oct 29	Oct 28	Oct 27	Oct 26	Oct 25	Oct 24	Oct 23	Oct 22	Oct 21	Oct 20	Oct 19	Oct 18	Oct 17	Oct 16	Oct 15	Oct 14	Oct 13	Oct 12	Oct 11	Oct 10	Oct 9	Oct 8	Oct 7	Oct 6	Oct 5	Oct 4	Oct 3	Oct 2	Oct 1	Sep 30	Sep 29	Sep 28	Sep 27	Sep 26	Sep 25	Sep 24	Sep 23	Sep 22	Sep 21	Sep 20	Sep 19	Sep 18	Sep 17	Sep 16	Sep 15	Sep 14	Sep 13	Sep 12	Sep 11	Sep 10	Sep 9	Sep 8	Sep 7	Sep 6	Sep 5	Sep 4	Sep 3	Sep 2	Sep 1	Aug 31	Aug 30	Aug 29	Aug 28	Aug 27	Aug 26	Aug 25	Aug 24	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19	Aug 18	Aug 17	Aug 16	Aug 15	Aug 14	Aug 13	Aug 12	Aug 11	Aug 10	Aug 9	Aug 8	Aug
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437 closed June 25

NYSE PRICES

NYSE PRICES

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4 pm close June 25

4 pm close June 25

Director	387055	234	221	36%	+1	Onge	3 3664	75	6%	+4	Univis	0 212 19 33	25%	24	25%	+2	
Officer A	0 381 19 4333	343	263	36%	+12	Danahy	0 23111	18	18%	18	-3	Univis	0 210 16 871	60%	60	60%	+3
Officer B	18 15 24%	25%	27	+4	US Style	16 198	19	17	17%	+3	Univis	0 210 16 871	60%	60	60%	+3	
Officer C	18 15 24%	25%	27	+4	US Style	20 1%	14	14	14%	+3	Univis	0 210 16 871	60%	60	60%	+3	
Officer D	1 00 18 8500	45%	51%	63	+1	Officer	1 85 13	48	34	33	-3	Univis	0 210 16 871	60%	60	60%	+3
Officer E	3873	53	53%	54	+1	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer F	1774	113	113	113	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer G	17 20	18	18	18	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer H	7 1774	11	10%	10%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer I	8111	20	20%	20%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer J	1 84 19 234	25%	25%	25%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer K	3 37 37357	65%	65%	65%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer L	1 17 252	25%	24%	24%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer M	135 105 14%	13%	14	+1	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3	
Officer N	8811 104	10	10	10	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer O	191 113	15	15	15	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer P	1 20 56 40%	47%	47	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3	
Officer Q	1 14	14	14	14	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer R	34 2425	25%	25%	25%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer S	48 3687	65%	65%	65%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer T	1 41 17	17	17	17	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer U	1 22 414 11%	14%	15%	+1	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3	
Officer V	1 14 63	21%	21%	21%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer W	1 42 18200	25%	25%	25%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer X	0 10 214	21%	21%	21%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer Y	0 2021	21%	21%	21%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer Z	0 14 854	47%	47%	47%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AA	718	34%	34%			Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AB	10 25%	25%				Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AC	2340 10%	10%	10%			Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AD	497 13%	13%	12%	12%	-1	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AE	871 21%	21%	21%	21%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AF	5 430 14%	13%	13%	13%	+3	Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AG						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AH						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AI						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AJ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AK						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AL						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AM						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AN						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AO						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AP						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AQ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AR						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AS						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AT						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AU						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AV						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AW						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AX						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AY						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer AZ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BA						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BB						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BC						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BD						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BE						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BF						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BG						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BH						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BI						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BJ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BK						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BL						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BM						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BN						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BO						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BP						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BQ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BR						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BS						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BT						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BU						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BV						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BW						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BX						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BY						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer BZ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CA						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CB						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CC						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CD						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CE						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CF						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CG						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CH						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CI						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CJ						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CK						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871	60%	60	60%	+3
Officer CL						Officer	52 9111	75	73%	74%	+3	Univis	0 210 16 871				

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Companies are made up of issuers and values from Activa Eurozone											
Company	Mid price	On the day	Volume	High	Low	Company	Mid price	Change on day	Volume	High	Low
ArvindCast	US\$13.25	-0.5	56550	8.25	3.35	Loganics	US\$11.5		191160	22.5	10.25
Avnet Systems	US\$20.75		5050	11.75	6.5	Monogram & Harcourt	US\$287.125	-1.5	4902	26.5	2.5
FFC	US\$1.25		500	18	14	Shutterstock	US\$30.875	-0.25	0	11.75	8.125
Go Software	US\$24.75	-0.5		19.00	16.00	Telefonica	US\$1.05		6	6.125	5.5
Inter Telecom	US\$7.875		0	12.35	3.35	Alcatel	US\$10.5	-5	57630	12.00	9.00

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Landmark retirement deal at VW

By Andrew Fisher in Frankfurt

The German motor company Volkswagen has agreed an early retirement and two-year wage deal with the big IG Metall trade union which could open the way for further such agreements intended to help younger people enter the workforce.

VW's 95,000 workers at six plants in west Germany will receive a 1.5 per cent pay rise in August, with a further 2.5 per cent in August, 1998. The early retirement plan could affect about 10,000 employees in the next five years, with VW making up part of their lost income. Mr Klaus Zwickel, head of IG Metall, called the scheme "an excellent example of a socially acceptable contract between generations". However, Mr Stefan Schneider, economist at Barbas Capital Markets, said the deal was "generous", reflecting VW's financial strength, and not necessarily applicable elsewhere. The German employers' federation also said smaller companies could not finance such a deal.

It follows the ending of previous early retirement arrangements in Germany under which the government bore much of the cost. The accord is also the latest to show a greater move towards labour flexibility -

mainly through integration of Saturday working in normal shift patterns - at a time of high unemployment, though VW said it had achieved less than it wanted in this direction.

The Bayer chemical concern has just signed a cost-cutting deal with its workforce in return for a promise to avoid heavy job losses before the year 2001. Ford of Germany also agreed a cost-reduction agreement in return for investment commitments.

Under the VW retirement deal, employees will be able to continue working while receiving 85 per cent of net pay from the age of 55 to 57 and six months. After then, they will stop work but still receive 85 per cent of pay until 60 when they retire early. VW will top up pension contributions.

The plan, backdated to the start of 1997, will cost DM150,000 (\$87,000) for each worker involved. It will enable the company to employ all the 1,200 apprentices it takes on yearly. Employees will also receive a DM500 bonus.

Mr Stephen Reitman, motors analyst at Merrill Lynch, said VW had struck a balance between the need for flexibility and moderate pay rises and its desire to agree an acceptable retirement deal.



Japan's prime minister Ryutaro Hashimoto welcomed to The Hague yesterday by his Dutch counterpart Wim Kok for talks on relations with the European Union

'Grain barons' warned as annual farm price package is agreed

EU ministers throw out plan to cut aid for cereal growers

By Neil Buckley in Luxembourg

European Union farm ministers yesterday threw out plans to cut aid to cereal farmers to fund support for the beef sector, but warned the "grain barons" that their generous subsidies would be under the spotlight in the coming overhaul of EU farm policy.

The annual farm price package, agreed after three days of talks, excluded a proposal from Mr Franz Fischler, the farm commissioner, to cut arable aid by Ecu1.4bn (\$1.6bn) next year, after four-fifths of EU states rejected it. But the final text implicitly accepted the Commission's claim that grain farmers were over-compensated by Ecu5.5bn during the past four years for price falls

that never materialised, and that reform was overdue.

"The council recognises that the level of compensatory payments for arable crops since the 1992 [agricultural] reform has not been amended to take account of market developments," the agreement said. "Market prices have been higher than forecast."

Ministers undertook to "address this matter in the context of the forthcoming discussions" on farm reform. Mr Jacques Santer, Commission president, will present proposals for revamping the Union's Ecu41bn-a-year common agricultural policy next month, before consultations begin in the autumn.

In a sign of the sensitivity surrounding the issue, however, Germany managed to keep out of the final text a planned reference to Brussels' call for arable cuts as "premature" - arguing that this presupposed an eventual aid reduction.

Mr Jack Cunningham of the UK, who, with Sweden and Denmark, was one of only three ministers to back Mr Fischler, welcomed the commitment to return to the matter. "The issue remains on the table," he said. "A decision is going to have to be taken."

Mr Fischler had called for the cut in cereal aid to fund an Ecu1.3bn programme to help beef farmers hit by the "mad cow" crisis. It was unclear last night where the beef funding would now come from. Finance ministers, who will debate the EU budget next month, may call for cuts across the board in all farm payments, or take

the money from export subsidies to farmers.

The arable aid payments, fixed in 1992, were intended to compensate farmers for expected price falls, but world cereal shortages have kept prices high. Smaller farmers complain that most of the money goes to large, wealthy "grain barons". Brussels estimates that 80 per cent of subsidies go to 20 per cent of farmers.

A UK minister revealed last week that one British grain farmer received £2m in EU aid last year, £230,000 of it for land set aside, or compulsorily uncultivated.

Some officials suggested that despite Mr Fischler's defeat this week, a rethink of the system was now inevitable. "We have jemmied open the door to reform," said one.

Poles aim to slash next year's budget deficit

By Christopher Bobinski in Warsaw

Poland's government, concerned about a rising trade deficit which is set to reach \$12bn this year, is aiming to slash its 1998 budget deficit, Mr Marek Belka, the finance minister, said yesterday.

Next year's budget would see the deficit cut to "below 2 per cent of gross domestic product" from this year's

planned 2.8 per cent. The minister was speaking after Mr Witold Kozinski, deputy head of the central bank, had called for a balanced budget in 1998.

Mr Kozinski warned that Poland's trade deficit would grow to \$18bn next year, even if the budget deficit were cut to around 1.7 per cent of gross domestic product, as apparently envisaged by the government. Such a fiscal deficit, according to

the central bank, would mean the current account deficit would reach 8 per cent of GDP, the level at which a recent run on the Czech koruna forced the Prague government into emergency measures.

The first four months of this year have seen Poland's current account deficit reach \$2.2bn, as imports have grown by 28 per cent and exports by a mere 8 per cent. This, said Mr Belka,

suggested that the payments deficit for the year would reach \$6bn, or 4 per cent of GDP, which was still a safe level.

"No one, including the International Monetary Fund, envisages that Poland should balance its budget next year," he added. Next year's budget projections forecast export growth of 12 per cent and import growth of 16 per cent.

Mr Belka, whose govern-

ment faces elections in three months' time, said that spending on policing and education would remain a priority. He failed to mention the health service, where doctors are campaigning for wage increases.

The Solidarity Electoral Action, the main opposition movement, led by the Solidarity trade union, has already promised to spend more on all three areas.

Mr Belka was speaking as

parliament's lower chamber approved laws establishing a pension reform, which will gradually switch employees from the present pay-as-you-go system to a scheme under which Poles will be forced to save for their retirement through private pension funds. The programme, to be initially financed through sales of state assets, should increase the level of savings in the economy.

French shareholders more ready to flex their muscles

By Andrew Jack in Paris

French individual shareholders are taking companies' annual general meetings far more seriously and questioning directors in an effort to protect the value of their investments, according to a study released yesterday.

The analysis of 1997 AGMs conducted by accountants Deloitte & Touche, the commu-

cations agency Ecocom, and the French magazine Investor highlighted a growing number of investors demanding to know how far outside directors were involved in the companies on whose boards they sat.

Many posed questions about the number of shares held by directors, and about the honoraria they received for sitting on boards. They also criticised

directors for a lack of independence, and those who sat on a large number of different boards.

A second element identified by the study was growing criticism over the dilution of a company's capital through rights issues, stock options granted to employees and the payment of dividends in the form of shares rather than cash.

Shareholders were also begin-

ning to ask a wide range of questions at AGMs relating to their companies' future strategy and international expansion plans.

"Shareholders are asking more and more questions," said Mr Olivier Azibres, director of audit and accounting at Deloitte & Touche. "The era of the 1970s and 1980s when they came just for the present or the cocktail at the end of the meeting is over."

He argued that the change over the past few years reflected the growing numbers of individual shareholders since a programme of privatisation of state enterprises in the mid-1980s, and the increasing pressure on fund managers to vote at annual meetings.

The growing importance of AGMs has also been highlighted by unprecedented levels of oppo-

sition in shareholder votes to resolutions proposed by several companies in the past two years. It is even possible next month that Eurotunnel shareholders will have sufficient votes to block a restructuring plan.

The study suggested that a growing number of individual investors are discovering that they can wield power by allocating proxies or becoming mem-

bers of a series of shareholder associations and voting in groups.

It argued that investors wanted greater clarity and transparency in information provided by companies, indications of a clear strategy, and greater efforts at communication, rather than treating annual general meetings simply as a formal legal necessity.

NEWS: THE AMERICAS

SEC win in battle against insider trade

By John Authers and Richard Waters in New York

The US Supreme Court yesterday overturned a lower court decision that, if it had stood, would have seriously dented attempts by the Securities and Exchange Commission to crack down on insider dealing.

The case, which sprang from Grand Metropolitan's takeover of Pillsbury in 1983, has been the most closely watched insider trading case of recent years. If the earlier appeals court decision had been allowed to stand, between 40-45 per cent of all prosecutions launched in the past five years would have been affected, said Mr William McLucas, director of enforcement at the SEC.

The case stemmed from the \$4.5m profit made by Mr James O'Hagan, a partner at the Minneapolis law firm which Grand Met had hired to advise it on its bid for Pillsbury. Mr O'Hagan remortgaged his house to buy shares and call options in Pillsbury in the weeks before Grand Met's interest was made public.

Despite a conviction on 57 counts, however, an appeals court ruled that the lawyer was not technically an "insider" at Pillsbury. It also ruled that Mr O'Hagan had no fiduciary duty to Pillsbury, since he did not act for the company. The Supreme Court yesterday overturned this judgment, in the process upholding the SEC's argument advisers acting for a bidder, not just a target company, should be subject to insider trading rules.

"It would make scant sense to hold a lawyer-turned-trader like O'Hagan a violator if he works for a law firm representing the target of a tender offer, but not if he works for a firm representing the bidder," according to the written opinion from Justice Ruth Bader Ginsburg. Six of the judges fully concurred with her

opinion, but three dissented in part. By siding with the SEC, the Supreme Court upheld the Commission's so-called "misappropriation theory," which has been widely used in insider trading prosecutions in the last decade. This holds that anyone who trades on information about a tender offer before it is announced should be held accountable, not only those who have a direct fiduciary duty to companies involved.

"This decision reaffirms the SEC's efforts to make the stock market fair to all people, whether you're a Wall Street veteran or Main Street newcomer," said Mr Arthur Levitt, chairman of the SEC. "Insider trading is profoundly inconsistent with the American public's sense of fairness."

The SEC made clear that this decision did not expand its powers as they have evolved over the past 10 years, but prevented any erosion of them. Lawyers agreed. "Now, for the first time, the [misappropriation] theory is established everywhere and concretely - it is one of the biggest criminal securities cases in a generation," said a partner at a top Washington law firm.

Martin Broughton sees little hope of meeting main public health targets

BAT chief fumes at US tobacco deal

By Richard Tomkins in New York

Mr Martin Broughton, chief executive of Britain's BAT Industries, is fuming over the US tobacco industry's \$368.5bn settlement with its foes. Words like "stupid" and "ridiculous" figure in his comments on the deal - even though he is one of its main signatories.

The industry's big win from the settlement, if Congress approves it, will be immunity from multi-million dollar litigation. But Mr Broughton protests bitterly over some of the concessions that have been wrung out of the industry in return, some of which he sees as misguided.

Indeed, he puts himself on the same side as the deal's critics by suggesting that its main public health measures - the restrictions on cigarette advertising, the targeted cuts in teenage smoking and regulation by the Food and Drug Administration - are likely to fall short of delivering the desired benefits.

On the advertising restrictions, which are so severe as to come close to a ban, he says: "All of our experience is that a ban on advertising makes absolutely no difference to the number of cigarettes smoked."

"It's a bit like motor cars: it's a mature product.

Advertising cars doesn't suddenly make somebody who couldn't drive before decide he's going to pass the test and go out and buy a car."

Instead, Mr Broughton says, the restrictions will simply limit cigarette makers' ability to compete with one another. "If we agreed voluntarily to do what we are doing here, without Congressional approval, we would be up before the Justice Department on an anti-trust charge that said we were deliberately preventing competition."

Mr Broughton is a 50-year-old qualified accountant who joined BAT Industries as a travelling auditor in 1971. He worked his way up through the ranks to become senior finance director in 1980 and chief executive in 1993.

He found himself drawn into the US tobacco negotiations when Philip Morris and RJR Nabisco, BAT's two biggest rivals in the US market, agreed to start talks with anti-tobacco lawyers at the beginning of April. As the talks neared their climax, he was identified as a stumbling block to a deal because of his strong opposition to some of the concessions being demanded by the anti-tobacco side.

Last week's signing of the deal seems to have done little to alleviate his concerns. In particular, the



Martin Broughton: deeply unhappy at deal

teenagers - a premise he rejects as "totally false".

"It's all worked on the basis that the only reason under-age smokers smoke is because cigarette companies advertise to them and make the product freely available to them," he says, protesting that this argument ignores societal and cultural pressures.

The deal proposes that teenage smoking should fall by 30 per cent in five years and 60 per cent in 10 years, with penalties of up to \$2bn a year against the tobacco companies if the targets are not met. The penalties, however, may be reduced by 75 per cent if the industry can show that it "pursued all reasonably available measures" to reach the goals.

Mr Broughton says the anti-tobacco negotiators insisted on the penalties so the tobacco companies could be held to blame if the targets were missed. "The assumption is that if these targets, which we believe to be unrealistic, are not met, it must be our fault, so we have to pay some more."

Mr Broughton says he is concerned that the deal gives the Food and Drug Administration powers to reduce, and eventually eliminate, the nicotine content of cigarettes, but he takes comfort from a condition that prevents the FDA from doing so if a black market in full-nicotine cigarettes would result.

He says it would be "a

damned stupid thing for anybody to suggest" that a product should be prohibited if that merely led to a black market in which people kept on consuming the product but the government received no tax from it.

"It's not a loophole at all: it's the one practical thing in there to say that if we are going to eliminate nicotine, at least only do it when there is going to be consumer acceptance of a product without nicotine. Doing it now flies in the face of reality."

Although Mr Broughton appears to see little impact from the public health measures contained in the deal, he expects smoking to decline in the US because of the price increases that will be introduced to fund the settlement.

"Market analysts are seeing a fall of 10-12 per cent, and that doesn't look like an irrational forecast to me," he says. He says that BAT's US profits will suffer. "Only time will tell how much."

But he is not too worried that other countries will seek similar deals. "I think there will be a lot of noise from people in other countries, but when you look at this coolly, this is a uniquely American situation and a uniquely American solution to it."

"Fortunately, most other countries are not blessed with the same legal structures and systems that the Americans have."

Mexico begins sell-off of satellite interests

By Daniel Dombey in Mexico City

The Mexican government has begun the sale of almost all of its satellite interests, in a privatisation expected to raise several hundred million dollars.

The sale is likely to attract interest because of a protocol last year between Mexico and the US which permits each country to beam satellite television to the other.

The government, which has not said how much it expects to make from the sale, is selling Mexico's

three fixed satellites, plus permits to operate new satellites in particular orbits - or slots - which have not yet been occupied.

The privatisation had been an administration goal for the last 24 years, but has been held up.

"This privatisation took time," said Mr Javier Lozano, the country's telecommunications minister, "because we needed to change the constitution, draw up a new telecommunications law, restructure the operator and decide what to sell."

Mexico's three satellites, two of

which were launched this decade, have been grouped together into a newly formed company known as SatMex. The satellites have annual sales of \$110m.

The government will privatise 60 to 75 per cent of SatMex, a process it expects to conclude by October. It plans to sell off the remainder as shares during the next five years, after, it hopes, benefiting from an appreciation in the company's market value.

"It is a good time for the sale. In another couple of years it may not be, since the dust will have settled

and many companies may have acquired the satellites they want," said Mr Andrew Fyfe, a consultant at Price Waterhouse, which formerly advised the Mexican government on its satellite assets.

"We decided to privatise the three satellites together so that the sale is attractive to foreign investors who can make the satellites competitive on world markets," said Mr Lozano who expected the primary market for the satellites' services to be open access rather than pay television.

Foreign investment in the satellites will be limited to 49 per cent and several international groups are understood to be interested, including Hughes Electronics, which originally built the satellites.

The government will separately auction slots it holds for other satellites, with the first sale taking place this autumn for a satellite to be launched next year.

However, it will retain the satellites' teleport capacity, which can be used to run private data networks.

NEWS: INTERNATIONAL

Illicit drugs trade is put at \$400bn

UN report seeks to assess scale of global narcotics industry

By Stephen Fidler and Jimmy Burns

Illicit drugs generate turnover estimated at \$400bn a year - about 8 per cent of world trade and more than the trade in either iron and steel or motor vehicles, according to a report published today by the United Nations International Drug Control Programme.

The World Drug Report, the first of its kind to be issued by the Vienna-based agency, says traffickers are taking advantage of increased trade and free capital flows. "In ways not dissimilar to their counterparts in legal enterprise, criminal organisations involved in illicit drugs respond to opportunities created by a globalising market economy," it says.

In a report based on indirect indicators of the drug cycle such as the known quantities of drugs seized, numbers of laboratories discovered and numbers of drug-related deaths, the agency has estimated total figures to provide a global picture of the drug situation.

The report says drug traffickers are making gross profit margins of up to 300 per cent, while drug seizures are only a small proportion

of estimated output. Worldwide, 251 tonnes of cocaine were seized in 1995 against an estimated 1,000 tonnes of production, and of the 300 tonnes of heroin estimated to be produced a year, 31 tonnes were seized.

At these levels, the report implies, there is very little impact on the profitability of drug organisations. It says that at least 75 per cent of international drug shipments would need to be intercepted to substantially reduce the profitability of drug trafficking.

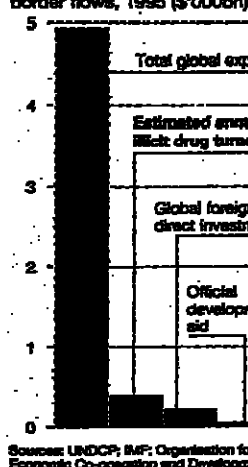
The report says many drug users are switching from drugs such as heroin and cocaine to ecstasy and methamphetamine.

The most widely abused drug remains cannabis, consumed by about 2.5 per cent of the world's population, 140m people. An estimated 8m people, some 0.14 per cent of the world population, take heroin, debatably the most serious drug of abuse.

The most pronounced

World drug trade

Compared with other cross-border flows, 1995 (\$'000bn)



Source: UNODC, IMF, Organisation for Economic Co-operation and Development

increase of drug abuse in recent years has been of synthetic amphetamine-type stimulants. About 30m people consume such drugs worldwide. Seizures of these drugs increased ninefold between 1978 and 1993, an average annual increase of 16 per cent.

The report identifies two trends in the laundering of drug money. First, it is becoming more professional, with a steady increase in the fees paid to money launderers from 6-8 per cent in the early 1980s to 30 per cent by the mid-1990s. Secondly, it is becoming more internationalised, potentially undermining the integrity of the international financial system.

The report says countries where plant-based drugs are grown benefit little from the trade, while their economies can be damaged. The economies most affected are Bolivia, where 10 per cent of the workforce and more than 9 per cent of gross domestic product is generated by drugs; Peru, 3 per cent and 7 per cent respectively; Colombia, where the employment effect is small but almost 6 per cent of GDP is generated; and Pakistan, where nearly 4 per cent of GDP comes from drugs. Between 28 and 53 per cent of Bolivia's export revenues are estimated to come from narcotics, and one-fifth of Pakistan's.

The report is careful to avoid political controversy, by avoiding any direct criticism of individual countries, or taking sides in the continuing debate over prohibition and law enforcement.

Ms Anna Bradley, executive director of the London-based Institute for the Study of Drug Dependence, said yesterday: "The report is a brave attempt to describe the world situation but it fails to provide clear pointers on policy effectiveness and political black spots."

"It seems the UN may have insufficient powers in this policy area," she added.

World Bank report says an effective state is vital for development

'Dazzling' growth versus stagnation

By Andrew Balls

The World Bank says the impact of government effectiveness and credibility on economic growth is shown by the sharp contrast between development in sub-Saharan Africa and east Asia, writes Andrew Balls.

"Countries that have concluded that the role of the state should be less prominent ought to consider how the dazzling growth of East Asia [was] made possible by an effective state," says Mr James Wolfensohn, the bank's president.

In 1984, income per head was virtually the same in the two regions. Today income per head is more than five times higher in east Asia. The report suggests that the limits set on the growth of the east Asian state, the soundness of the policies it has introduced and the effectiveness with which it has delivered services have played an important part in the growing gap between the two continents.

The bank's 1997 World Development Report survey looked at the relative importance of state size and capability, and the policies governments pursued, in the growing gap between east Asia and Africa, taking into account initial income and education levels. The state was the same size in the two regions in 1984, although African governments were already spending more on consumption, largely as a result of greater public sector employment.

Today, government consumption in Africa is one and a half times the east Asian level. The evidence points to the effect of good government policies: openness to trade and investment, lack of price distortions, relative lack of black market exchange rate premiums and higher levels of education and investment, says the report.

The reliability and effectiveness of institutions upholding the rule of law and protecting property rights have allowed faster development in East Asia. Without protection from theft and violence, protection from arbitrary state actions and protection from a fair and predictable judiciary, it is all but impossible for markets to develop.

The report highlights five crucial functions that governments - rather than markets and private associations - must provide:

- Legal foundations;
- An effective macro economic policy environment;
- Investment in basic social services and infrastructure;
- A comprehensive safety net for vulnerable members of society;

Africa faces "a crisis of statehood" which cannot be resolved without international help, the World Bank warns in its annual World Development Report published yesterday.

"The majority of countries in sub-Saharan Africa now have lower capability (including state capability) than they did at independence," says the 265-page analysis of the role of the state in a changing world.

The report warns that without an effective state, economic and social develop-

ment is impossible. A "minimalist state would do no harm, but neither could it do much good," said the World Bank president, Mr James Wolfensohn, launching the report. "Markets and governments are complementary. The state is essential for putting in place the appropriate institutional foundations for markets," said Mr Joseph Stiglitz, the World Bank's chief economist.

Critics have accused past reports of concentrating too much on the World Bank's recommended reforms, and too little on the constraints on states and governments that must implement them.

This latest report puts greater emphasis on the environment in which reformers must operate, and on rules and institutions, reflecting a shift among academic economists.

Drawing from examples of successful and unsuccessful states from around the world, the Bank sets out a two-part strategy for greater efficiency, urging governments to become "better focused on the core public activities that are crucial to development" while looking for ways to improve the state's capability by "reinvigorating public institutions".

Although the Bank

stresses that all states need to improve efficiency, its toughest comments are reserved for Africa. "An institutional vacuum of significant proportions has emerged in many parts of sub-Saharan Africa, leading to increased crime and an absence of security, affecting investment and growth," says the report.

Many African states "are trapped in a vicious circle of declining state capability and thus declining credibility in the eyes of their citizens". Most African countries will need to raise real public wages, increase spending on social services

"and undertake vast investment in personnel management, retraining and accountability", says the Bank. But it adds that this major rebuilding of state capability cannot happen without international assistance.

"Even in the worst situations, very small steps toward a more effective state can have a large impact on economic and social welfare. The challenge for states is neither to shrink into insignificance, nor to dominate markets, but to start taking those small steps," said Mr Wolfensohn.

Editorial Comment, Page 13

Government must be markets' 'partner, catalyst and facilitator'

Andrew Balls on the proper size and role of the public sector in an economy

Since Bangladesh became independent in 1971 its government has doubled in size. The number of ministries increased from 21 to 35 and the country's 450,000 civil servants grew to a million.

The result for Bangladesh - and for other countries that have "simply overextended themselves" - has been "disastrous", says the World Bank.

In the case of Bangladesh, says the bank in its 1997 World Development Report, the expansion of the government has reduced its capacity to implement policy. Co-ordination between departments has become almost impossible and regulation intrusive. Newly created vested interests have blocked reform.

"Without an effective state, sustainable development, both economic and social, is impossible," says Mr James Wolfensohn, the bank's president, in his introduction to the report. The state must set rules to allow markets to function, and must play by the rules itself, acting predictably, and preventing corruption. The state must be a "partner, catalyst, and facilitator" of economic development, he says.

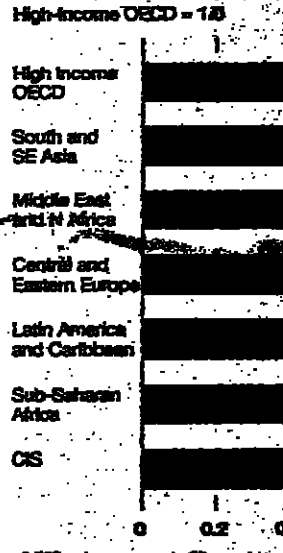
The survey of development in 133 countries focuses on the role of the state. This spotlight on state institutions and politics marks a shift of emphasis. Previous reports have been criticised for paying too much attention to the "wish-lists" for reform and too little attention to the institutions that make reform happen.

The report highlights five crucial functions that governments - rather than markets and private associations - must provide:

- Legal foundations;
- An effective macro economic policy environment;
- Investment in basic social services and infrastructure;
- A comprehensive safety net for vulnerable members of society;

A state that can be trusted helps build prosperity

Credibility index: High-income OECD = 1.0



Source: World Development Report

• 3,800 entrepreneurs in 60 countries were asked to rate the performance of the state on its core functions, such as establishing and enforcing property and applying rules and policies protecting the credibility ranking of high-income industrialised countries was set against 1.0

• Basic environmental protection

"For human welfare to be advanced, the state's capability - the ability to undertake and promote collective actions efficiently - must be increased."

Governments cannot provide growth, says the report. But they must provide an institutional framework to underpin the markets that do. East Asian governments have done a good job in managing economic development. Chile and Mauritius, too, have been successful in getting the fundamentals right. Others have been less successful.

The World Bank says that, despite some encouraging exceptions, notably Botswana and Uganda, most African states now have lower "state capability" than 50 years ago at independence. Countries with weak state capability increased income per head by only half a per cent a year over the last three decades. During the same period, income per

head in countries with strong capability, such as in East Asia, grew on average by 3 per cent.

"Globalisation [greater world economic integration] is a threat to weak or capriciously governed states. But it opens the way for effective, disciplined states to foster development and economic well-being," the report says.

The application of predictable rules and policies - state credibility - is vital if developing countries are to attract private investment. The report's survey of 69 countries shows that poor state credibility results in lower investment and growth and undermines development.

Private investors steer clear of countries where the state fails to fulfil its core tasks. In central and eastern Europe, Latin America, and in sub-Saharan Africa, 60 per cent of companies surveyed reported that policy unpredictability seriously hampered business and

investment. In the Commonwealth of Independent States, 80 per cent of entrepreneurs voiced the complaint. More than half of managers surveyed in the CIS said they spent more than 15 per cent of their time negotiating with government officials over rules and regulations.

"Low state capability in many of the countries of the CIS is a serious and mounting obstacle to further progress in most areas of economic and social policy," the report warns.

While geographical and political diversity means there can be no simple blueprint to guarantee effective government, the World Bank says countries should adopt a two-part strategy to increase state effectiveness.

First, governments must match their role to their capabilities. Developing countries must concentrate on getting the basics right, rather than trying to do too much, and must safeguard property rights and guaran-

tee the rule of law. Development in south Asia is strangled by over-regulation and excessive state consumption, says the report.

Secondly, governments must increase state capability by ensuring that effective rules and restraints check public authority and prevent corruption. Increasing competition, and lowering barriers to trade reduces the state's discretionary power and, in turn, corruption. Public officials should be appointed on merit, not on political patronage. In addition, governments must seek to decentralise power and to involve the population in decision-making. Democratisation and decentralisation have, for instance, led to a "quiet revolution" of reform in Latin America.

Africa, on the other hand, is experiencing a "crisis of statehood", undermining the capability and legitimacy of government. It warns that the costs of failure to ensure state effectiveness and credibility is not simply stagnation and delayed growth. Rather, the danger is of relentless downward spirals and collapsed states. Between 1985-95 income per head fell by 1.3 per cent between 1985-95 in Burundi, by 5.4 per cent in Rwanda, and by 3.6 per cent in Sierra Leone. The state has collapsed in Somalia and in Liberia, which is locked in a "no war, no peace" equilibrium, torn apart by fighting factions.

The report concludes that "if governments cannot grasp the nettle of improving their effectiveness and reinvigorating public institutions, the prospects for significant improvement in economic and social welfare, in some countries, may be bleak indeed."

World Development Report 1997: The State in a Changing World. Published by Oxford University Press for the World Bank, 1815 H Street NW, Washington DC 20433, US

ARGENTINE REPUBLIC

MINISTRY OF ECONOMY AND PUBLIC WORKS AND SERVICES

SECRETARY OF PUBLIC WORKS AND TRANSPORT

Buenos Aires Urban Transport Project Loan IBRD 4163-AR

INVITATION FOR PREQUALIFICATION

The Government of the Argentine Republic has applied for a loan from the International Bank for Reconstruction and Development (IBRD), and intends to apply a portion of this loan to eligible payments under the contracts for the rehabilitation of Line A of the Buenos Aires subway system.

The Secretary of Public Works and Transport of the Ministry of Economy and Public Works and Services intends to prequalify contractors for the following works corresponding to the rehabilitation of Line A of the Buenos Aires subway system under four contracts. It is anticipated that invitations to bid will be made in September 1997.

1. Track Works and materials related to complete renewal of track; maintenance of the track during the 12-months guarantee period.
2. Civil Works: Rehabilitation (works and materials) of ventilation, fire protection and lightning emergency systems; drainage systems; escalators; rehabilitation of stations; building of a new underground station.
3. Electrical Equipment: Supply and installation of electrical substations, renewal of the power transmission system with medium voltage wire networks, and a voltage feeder aerial line for trains.
4. Signalling and Communications: Rehabilitation of the signalling system; supply and installation of an operations telecontrol system, power supply and auxiliary equipment for stations; supply and installation of a communication system from the operations control center to the trains.

Prequalification will be open to firms and joint ventures from eligible source countries as defined in the Guidelines: Procurement under IBRD loans and IDA credits.

Applicants may prequalify for one or more contracts.

Interested eligible bidders may obtain the prequalification documents for each contract upon payment of a non-refundable fee of Argentine \$ 150 or its equivalent in USA Dollars. Prequalification documents may be requested personally, by post or by fax to: SECRETARIA DE OBRAS PUBLICAS Y TRANSPORTE, COORDINACION PROYECTO DE TRANSPORTE URBANO DE BUENOS AIRES, HIPOLITO YRIGOYEN 250, PISO 12, OFICINA 1201, C.P. 1510, BUENOS AIRES, REPUBLICA ARGENTINA. FAX: 54-1 340 7418.

The method of payment of the non-refundable fee may be in cash (Pesos or Dollars) or by certified check in favor of "MINISTERIO DE ECONOMIA Y OBRAS Y SERVICIOS PUBLICOS", in the Department TESORERIA of such Ministry, H. Yrigoyen 250, Piso 3°, Oficina 311, Capital Federal, between 1030 and 1230, or by bank money transfer (Pesos or Dollars) to the Banco de la Nación Argentina, Sucursal Plaza de Mayo, Current Account N° 1889/06 - M.E. - Dirección General de Administración.

The request must clearly specify "Request for prequalification documents for the contract/contracts: Modernization of the Buenos Aires Subway (Line A) - (specify name of the contract/contracts)". The Secretary of Public Works and Transport will send without any delay the requested documents by registered airmail, but in any case it will not be responsible of loss or late reception.

The main condition to prequalify is to have satisfactorily carried out at least ONE (1) work of an equivalent nature and volume in the last 5 years.

Submission of Applications for Prequalification shall be in sealed envelopes, delivered personally or sent by registered letter to: SECRETARIA DE OBRAS PUBLICAS Y TRANSPORTE, HIPOLITO YRIGOYEN 250, PISO 12, OFICINA 1201, C.P. 1510, BUENOS AIRES, REPUBLICA ARGENTINA, no later than July 15th, 1997.

The Secretary of Public Works and Transport reserves the right to accept or reject any late application.

Bidders will be timely notified of the results. Only the firms, group of firms or joint ventures prequalified under these procedures will be invited for bids.

Netanyahu puts off promotion of hardliner

By Judy Dempsey in Jerusalem

Mr Benjamin Netanyahu, the Israeli prime minister, has postponed until early next week a cabinet reshuffle in which it is expected Ariel Sharon, the infrastructure minister, will be made finance minister.

The postponement follows the defeat of a no-confidence vote on Tuesday night which has left the Likud-led coalition more divided than ever and the government increasingly unstable.

Yet it is those two elements which explain why Mr Netanyahu is likely to give Mr Sharon the finance ministry. He needs Mr Sharon to pull the party together as well as reward him for helping bring Mr Netanyahu to power a year ago.

Then, Mr Sharon managed to persuade Mr David Levy, the foreign minister, to join the Likud bloc after Mr Levy had broken away to form his own Geshar faction. He also swung over the entire religious community and advocates of a "Greater Israel" who believe the West Bank is their birthright.

"Netanyahu, with his eye on the elections in 2000, needs Sharon to bully the party and galvanise support as he did last year as much

as Netanyahu owes him favours," a foreign ministry official said.

But promotion to the finance ministry of a man found by a state inquiry of being indirectly responsible for the murder of hundreds of Palestinians in the Sabra and Chatila camps near Beirut in 1982, when Mr Sharon was defence minister, has stunned moderate Likud deputies in more ways than one.

Mr Sharon is insisting he retain control over land and water - responsibilities transferred to the infrastructure ministry which Mr Netanyahu created last year in order to fit the leader of the Likud right into the cabinet. While these are central issues in any future settlement with the Palestinians, Mr Sharon is also insisting he be part of the inner cabinet which discusses security and the peace talks, a move which Mr Yitzhak Mordechai, the pragmatic defence minister, staunchly opposes.

"He knows what kind of signals that would send to the Arab world," a senior diplomat said.

Yesterday, Mr Sharon told Ma'ariv, the Israeli newspaper, he had asked Mr Netanyahu to give him responsibility for running the negotiations with the Pales-

tinians. The Arab world already fears the worst, not only because of Mr Sharon's record in Lebanon but because of his unremitting hardline policies towards the Palestinians - which have far from mellowed.

Soon after last year's elections, Mr Sharon, in an interview with Israeli Radio, accused Mr Yasser Arafat, the Palestinian leader, of being a "murderer of children, babies, women and elderly people. I will not shake the hand of the murderer." Mr Ahmed Tibi, the Israeli-Arab adviser to Mr Arafat, simply replied that "the last person who should talk about the murder of children and massacres is Ariel Sharon".

Yet despite his ignominious past, Mr Netanyahu seems oblivious to the reaction and consequences of promoting Mr Sharon. "Those who support this appointment say Sharon will get things done. That he is a bulldozer. That he will pull the party together," a foreign ministry official said.

As housing minister in the early 1990s, Mr Sharon bulldozed his way into the West Bank, expanding Jewish settlements on confiscated Palestinian lands. Intrigue and distrust, Page 12

Kazakh tariffs may irk Russia

By Charles Clover in Almaty, Kazakhstan

Kazakhstan's move to halve tariffs on furniture and car imports may help western exporters but seems certain to anger Russia. It is due to be discussed later this week at a meeting of the troubled customs union of which Kazakhstan is part.

The unilateral move, made quietly at the beginning of this month, has only now become apparent.

Kazakhstan has been a member of a customs union with Russia, Belarus and Kyrgyzstan since the union was founded in 1995.

Countries within the Commonwealth of Independent States (CIS), successor to the Soviet Union, have no tariffs on each other's goods, but members of the customs union are expected to implement a common tariff against goods coming in from outside.

Russia has high tariffs on imported manufactures to protect domestic industries, and considerable controversy exists among customs union members over whether these tariffs should be applied in their countries.

"That means Kazakhs are paying more for their imports to protect Russia's manufacturing industry,"

said Mr David Tarr, an expert on the customs union at the World Bank. Kazakhstan's tariffs decision represents an attempt at economic independence from Russia.

"When we signed the customs union, we agreed to coordinate our external trade policies," said Mr Erian Idrisov, first deputy foreign minister of Kazakhstan. "But there have been unilateral acts by Russia which have forced other members to take unilateral actions."

Kazakhstan's first attempt to lower tariffs on cars lasted only six days last year. "A flood of cars came in, and after a week they raised the tariffs again," said a western diplomat. In March, another row over the lowering of these tariffs left Kazakhstan close to pulling out of the customs union.

Under the new regime, customs duties for an average piece of furniture will fall from \$73.2 to \$2.4, while customs fees will drop from \$752 to \$360. Value-added tax will fall from \$405 to \$315.

Car excises will be determined depending on the age of the vehicle. Minimum excise rate for a car made less than five years ago will be \$910, but a car made five to 10 years ago will be assessed at \$1,378.

Handwritten signature or mark.